Daily Report

East Europe

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FBIS-EEU-95-092 *12 May 1995*

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Czech Prime Minister Views Czech-German Relations

AU1105114795 Furth im Wald
BUERGERMEISTERAMT PAPER in German
6 May 95

[Speech by Czech Prime Minister Vaclav Klaus at East-West Forum in Furth im Wald on 6 May; received directly from conference organizers]

[FBIS Translated Text] Dear Mr. Mayor, ladies and gentlemen:

I am very happy to be here today. At the present time, it is very right and important to talk with one another. Fifty years ago, we Czechs and Germans were divided by an extremely deep trench. During the time of communism, we could not totally abolish this trench. Fifty years ago, it was a terrible time for us. It seems to me to be all the more important to point out the positive change that we have witnessed. We are good neighbors again.

I accepted with pleasure your mayor's invitation to speak here in Furth im Wald. What Mayor Macho and I have in common is not only our similar political conviction, a realistic vision of the world, but also our practical experience. I am convinced that Czech-German relations are good, if we shape them accordingly, or, to be more precise, if we are willing to shape them accordingly. I thank the people on both sides of the border who have worked for this goal with thousands of practical and concrete deeds for good-neighborly relations. We have already achieved much at the practical level.

Our countries are connected by a neighborhood treaty that is a good basis for our mutual cooperation. Soon representatives of my government and the Federal Government will sign another equally important document that is intended to place regional and cross-border cooperation on a new and lasting basis. This will be particularly useful for you who live in this region.

These are good signs for me. The key to our future is in our present, not in our past. This does not mean that we should forget the past. No. We must come to terms with it.

I personally do not like interpretations of history with retroactive implications. Every picture of the past is always a construction, mostly a deliberate construction aimed at serving present-day interests. To correctly understand the challenges of the present and precisely formulate our tasks of the present, we do not require romanticism or memories. Yet, there are memories, painful memories, on both sides left by World War II. During this war and in its wake, millions of people had to pay a terrible price for this tragic event. They lost their lives and their homes—Poles, Ukrainians, Russians, and the Czechs, who actually were the first to be forced to leave their homes when they found themselves involuntarily in Hitler's Reich. The Nazi state unleashed aggression of unimaginable dimensions, which created millions of victims. What is more, it also shook the values and ideals that had always been the bases of our societies. They were European values, our common values. The cruel reality of that time eliminated the border between justice and injustice, crime and punishment. But I do not have to discuss this here today. World War II also left behind many innocent German victims. We are well aware of this.

The cruel past abolished the respect for the significance of the freedom of man, his rights, the uniqueness of human life, and the inviolability of private property.

The time that we remember today was not just the victory of freedom and the beginning of a great peace. The first postwar years brought further injustices and further victims, including innocent people from among our former fellow citizens. No one in our country can mention these injustices without regretting them. They should never have happened. They are not a good chapter in our history.

Nonetheless, I believe that we must both look forward. We must fight the painful memories and change them into positive deeds. Everyone must start with himself, and not with what was done to him but with what he did to others. It is true that this rule is old, but it is a good rule. One-sided calculations do not lead to solutions. On the contrary, they spoil the atmosphere of our cooperation.

Our former fellow citizens who love their former home country as it is today and feel a personal bond with it will certainly find partners and friends on the Czech side. We must make such new rapprochement easier for the people concerned, but there is no collective solution. It will always be an individual one.

For us, this time 50 years ago was the beginning of another tragedy. It was an irony of our postwar development that Nazism led to Stalinism. With the exception of one attempt—which was not successful and ended in February 1948—to restore democracy, we Czechs lived continuously under a totalitarian dictatorship.

This basically distinguishes our development from the Federal Republic's postwar era and makes us resemble the former East Germany.

The reality of freedom in your country has always been very important to us. We have watched the development of the free and democratic system in Germany with sympathy, and we soon realized that, without an end

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to the divided world, a better future is inconceivable for us.

We have clearly formulated the vision of such a future for our country. We want a free society on the basis of parliamentary democracy and the market economy without any ifs and buts—as I would say, without adjectives. Such a project means more than mere reform, more than cosmetics, more than perestroyka. A real change is required. The whole system must be transformed. We were resolved to carry out such a change consistently. Now we are already in the posttransformation phase.

Our country has firm democratic roots again. We have joined the productive and democratic nations with which we had always close ties in the past. We have noted with pleasure that we now find ourselves there together with Germany.

Our country is now open for an exchange of spiritual and material goods. We see the face of our villages and towns change daily, and something much more important is also changing: the way of life, the style of work, and the values for which we work.

This is a complicated process, not without confusion, conflicts, and complications. However, we can rightly be happy to have drawn an important conclusion from the past: We stand for what is meant by the term "democracy." It is the value that we are ready to protect and defend. The day before yesterday, I was awarded the International Democracy Medal in Washington at the Center for Democracy. I spoke about democracy, and there, too, I coined the term "democracy without adjectives."

You sometimes ask me what else should be done to improve our relations. To better understand our problems of today, think about your own problems in the postwar era and judge our achievements by your achievements at that time. If you consider supporting our project, remember the support you were given by the Americans and West Europe, when you had to find solutions to your former orientation problems regarding security and economic policy. This type of support is more important than any financial or material aid.

We should expand the cooperative basis of our neighborhood. You, Mr. Mayor, have done so and demonstrated it with many activities. Such productive cooperation works well, and your city, Mr. Mayor, is the best proof of this. I very readily promise that I will always support such activities.

Once again, thank you very much for your invitation and for your attention.

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Zhulali: Troops To Participate in Joint Maneuvers

AU1005171595 Paris AFP in English 1413 GMT 10 May 95

[FBIS Transcribed Excerpt] Tirana, May 10 (AFP)—Albanian troops will participate in five-nation military manoeuvres to be held in Greece later this month, Defence Minister Safet Zhulali said here Wednesday.

"It is the first time that the Albanian army will take part in manoeuvres outside its territory," Zhulali told AFP.

A unit of 40 soldiers will be sent to Kalamata, in the Greek Peloponnese mountains, to take part in the manoeuvres alongside soldiers from Bulgaria, Greece, Romania and the United States.

"This event is testimony to the reinforcement of relations between Greece and Albania in the military domain," the minister added. [passage omitted]

Police Detain 37 Clandestine Kurds, Lebanese

AU1105200595 Tirana TVSH Television Network in Albanian 1800 GMT 11 May 95

[FBIS Translated Excerpt] Implementing Interior Ministry measures against illegal human trafficking, at about 1300 on 10 May 1995 the police commissariat in Vlore detained 37 foreign nationals, Kurds and Lebanese, attempting to cross the border into Italy illegally by motorboat.

Implementing the initiated action, the commissariat detained and blocked two motorboats transporting 17 clandestine Albanians from the Vlore coast into Italy. These two motorboats belonged to nationals Safet Cermeni, Hazbi Toci, Kreshnik Zera, and Artan Islami, all residents of Vlore city. The police detained the motorboats on charges of illegal activity based on Law 7873 dated 16 February 1994, and sequestered them. [passage omitted]

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BZNS Board Reelects Secretary, Assigns Duties

AU1205111695 Sofia DEMOKRATSIYA in Bulgarian 10 May 95 p 2

[FBIS Translated Text] Sofia (DEMOKRATSIYA)—Yesterday the newly elected Permanent Board of the BZNS [Bulgarian National Agrarian Union] met for the first time to allocate functions to its members. The board unanimously reelected Petko Iliev as its organizational secretary and appointed Georgi Pinchev as BZNS spokesman. The board decided that Anastasiya Mozer will deal with the party's finances. Atanas Zhelezchev was made responsible for legal issues. Zheko Stoyanov will look after administrative and business matters, and Iskur Shumanov will maintain contacts with foreign organizations.

The latter two board members were elected by the 29th BZNS Congress in spite of Anastasiya Mozer's objections. According to Petko Iliev, the differences are already settled and the BZNS leadership will function normally.

Article Views Formation of Political Center

AU1105130495 Sofia KONTINENT in Bulgarian 8 May 95 p 8

[Article by Zhelez Zhelezov: "Political Center Awaits Development of Processes Within SDS"]

[FBIS Translated Text] A new political formation called the Democratic Center was founded in Gabrovo on 13 March. It was supported by Ivan Pushkarov, Dimitur Ludzhev, and Stoyan Ganev; Ventsislav Dimitrov was elected chairman. At the meeting, other political formations that tend toward the political center were indicated.

From an ideological point of view the Democratic Center is a liberal-democratic formation of rightist-centrist forces in the country, which aims at renewing society in a democratic manner. It is open to all noncommunist and extraparliamentary organizations, including the Union of Democratic Forces [SDS].

Does the Democratic Center actually propose anything new? Its leaders have explained that the Center is an alternative to the SDS, which has run out of ideas and is in a state of erosion.

Why has this new formation appeared with this name and at this stage of the democratic reform? Is it a coincidence or a calculated tactical move? The facts suggest the second interpretation. The founders waited for the SDS's National Coordinating Council to admit with dignity its responsibility for the election failure and resign after proposing a program for changes in the structure and work style of the SDS's National Coordinating Council and local councils. That is because the blow from the voters was motivated precisely by their disappointment with the SDS's confrontational line against all opponents, the trade unions, the patriarch [of the Bulgarian Orthodox Church], and their former parliamentary partner, the Rights and Freedoms Movement [DPS].

Against all logic, the group around Filip Dimitrov made a demagogic move in the style of the radical right. A small group "withdrew," having first pushed to the front line several faceless "leaders," thus accelerating the disintegration of the SDS. The Democratic Party, the majority of the Radical Democratic Party [RDP], a part of the Nikola Petkov Bulgarian National Agrarian Union [BZNS] led by Georgi Petrov, and hundreds of well-known activists then left the SDS.

At the August 1992 Liberal International congress in Mainz, Dr. Zhelev told a news conference the real reasons behind the crisis in the SDS and warned that the SDS was going to fail unless it changed.

Dr. Zhelev ignored the campaign against him that was initiated after the SDS's "voluntary" flight from power. After the defeat in the early parliamentary elections on 18 December 1994, the founders of the Democratic Center launched the idea of meeting the president in March 1995. For reasons apparently known only to a limited number of people, the implementation of that idea has been postponed.

Nevertheless, the hope that something will happen after a meeting with the president, is growing. Observers think the president will kill two birds with one stone: He will eliminate the "hawks" in the SDS leadership, while at the same time preserving the remnants of the SDS as an opposition to the Bulgarian Socialist Party [BSP] in parliament. In due course it will become clear which alternative is preferred: the collapse of the SDS and its replacement by the Democratic Center, or preservation of the SDS through personnel and structural changes as an partner equal to the BSP, which is prepared to make steps toward a national consensus, without which the nation would suffer the hardship of the transition more seriously.

We have yet to hear many answers on the Democratic Center's future role. However, it is logical to ask whether we are not witnessing an evolutionary process that will gradually encompass all political forces and direct them toward the center, so that neither sees any other political force as its antipode.

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This trend is evident in the appeals of President Zhelev and the BSP to achieve a national consensus. The question is whether there will again be certain "democrats" who will read those appeals as the devil reads the Holy Scriptures.

Mismanagement of Oil Concessions Alleged

AU1105125895 Sofia PARI in Bulgarian 9 May 95 p 3

[Article by Petko Petkov: "Oil or Ink"]

[FBIS Translated Text] More ink has been used in writing about the Bulgarian oil concessions in Libya than the amount of oil produced for the country, because there has been none.

Under the joint production agreement, thousands of square kilometers of desert were surveyed and commercial quantities of oil were discovered. Like most natural phenomena, this great piece of luck caught us by surprise, and it is causing losses to our national economy. Britain, to cite an example, also experienced a similar surprise when oil was discovered in the North Sea, but it quickly pulled itself together and has had no energy problems for a long time now.... Only the Bulgarian oil company is not pleased with the success of its first attempt, and it will not survive the experience. The report on the prospecting results has been 10 years in preparation, and only after it is adopted can a start be made on producing the oil. In the meantime, the company is engaging in every kind of activity, apart from the one for which it was formed.

Later the winds of change brought the company a new management, led by Aleksandur Tsonev. He is methodically following the course of blaming everything on the old management, combined with sterile concepts and personnel shuffles. As the debts and problems mount, work is coming to a halt in the company, and the general manager more than fulfills all the grounds for dismissing him. However, the voice of the people is a voice in the wilderness.

After eliminating the company's service activities, the general manager is beginning to find that the concessions are a hindrance as well, so he is setting about selling them to foreign oil companies—if one can speak of a sale when the offer is accompanied by reports on the company's difficulties and production problems. If it is true that the oil can only be produced at a loss, who will be mad enough to buy the concessions? However, the truth is evidently different, because experienced companies are interested. In the oil business, the big profits are obtained because the revenue from oil sales covers the exploration and production costs many times over. The same is true in our case: In return for spending a few hundred million dollars on exploration and development, when the wells go into production we will obtain oil worth several billion dollars. It is clear that the profit for Bulgaria will be many times greater if the company produces the oil, instead of selling the concessions to cover some of the costs incurred. This is the truth, for otherwise everyone would be dashing off to sell their concessions, and this does not happen.

It is likely that the foreign companies, in addition to organizing the production, will also be able to renegotiate the old agreement to obtain more favorable terms and find skilled managers who can finish the job. Thus, the whole affair is a matter of ability. This is just what Tsonev fails to mention in his numerous interviews. If our general manager had done this, the oil would already be flowing. The Bulgarian state owns tens of millions of tons of oil in its Libyan concessions. This is a rich national asset, gained by the persistent labor of thousands of workers and the outlay of millions of dollars. If we ignored such opportunities in previous years, when Bulgaria was integrated into CEMA [Council for Mutual Economic Assistance], now, when we face our current economic problems, it will be an unforgivable mistake to lose this oil. It will be far wiser if the government, leading financial institutions, and companies do what is necessary to restart operations in the Bulgarian oil company and Geokom-Libya. In this initiative they may rely on the support of the company's workers and specialists, to whom the company actually owes millions of dollars. Since they successfully carried out prospecting and drilling operations using the most up-to-date equipment, they are also capable of producing oil and gas with similar technologies. Using our own manpower, materials, and equipment, the required investment will be far less than the deliberately exaggerated amount claimed in the press.

If the solution to difficulties is to follow the rule "Help yourself, then others will help you," then what prevents us from collecting the billions that belong to us?

For the time being, however, the only undisputed result of Aleksandur Tsonev's management of the company during the last three years has been over $5 million in unpaid wages and salaries.

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Havel Promotes Reserve, Active Officers

AU1105185095 Prague RUDE PRAVO in Czech 9 May 95 p 2

[Report by "per": "New Generals"]

[FBIS Translated Text] Prague (per, using CTK)—On 8 May, President Vaclav Havel promoted 16 reserve colonels, World War II veterans, to the first general rank, that of major general.

He also promoted four generals in active service to lieutenant general—one of whom was the current Army chief of staff, Jiri Nekvasil. In addition, he named the Sector South commander of the UNPROFOR [UN Protection Force] mission in former Yugoslavia, Rostislav Kotil, and the head of the Czech Army liaison mission to NATO, Jiri Pisklak, as major generals.

The promotion was preceded by the oathtaking of 860 soldiers of the Prague garrison and Castle Guard on Hradcany Square. The soldiers wore the new camouflage uniforms that are to become the standard uniform of the Czech Army.

Civic Democratic Alliance Economic Program

95CH0232B Prague HOSPODARSKE NOVINY in Czech 24 Mar 95 p 11

[Article by vb/jp: "The Economic Program of the Civic Democratic Alliance"]

[FBIS Translated Text] *At the request of readers, the editors of HOSPODARSKE NOVINY decided to pass on to readers the more voluminous information on the economic programs of the parliamentary political parties. You will find extracts from these programs on the pages of the debating club supplement as we receive them from the individual parties.*

I. Basic Points of Departure

The success which has hitherto been experienced in the economic transformation of the Czech Republic is demonstrable, but it is nothing other than a good beginning for economic policy in subsequent years. The political goals of the economic program of the ODA [Civic Democratic Alliance] are, thus, aimed at two areas as follows:

1. The gradual return of the Czech economy to the position it occupied historically in the world economy, which would require that the pace of economic growth over the next few years in this country be greater than the average growth will be in the developed nations; the problem has its political dimension: In the long term, citizens of the Republic expect that the differences between the standard of living in our country and that in West Europe will begin to converge.

2. The attainment of macroeconomic characteristics typical for the most advanced countries (a rate of inflation of around 5 percent per year, a high share of private sector activity, etc.) and preservation of those characteristics which, in our case, already correspond to the standards of those countries (the size of the external debt, a balanced budget, etc.).

In pursuit of both of the above goals, the ODA is offering a strategy of long-term progrowth economic policy aimed at the supply side of the economy, connected with a further express liberalization and involving the utilization of foreign capital.

The ODA economic program rejects more extensive state incursions into the functioning of the economy. Direct incursions of the state into the economy bring about weighty risks which are well known from as far back as the time of functioning of the planned economy: Large-scale enterprises and interest groups use their strengths to influence those economic policy instruments which frequently end up as instruments used by those groups rather than by all of society. We will, therefore, not be preparing a complicated industrial policy which would result in the creation of room for special-interest groups.

The ODA is proposing to assert an economic program in two fundamental directions:

1. An active economic policy only in some selected areas in which it is possible to achieve significant benefits and prevent possible pressure by interest groups. In this connection, we shall support the more rapid creation of an infrastructure hinterland for the Czech economy.

2. Further liberalization and elimination of legal and administrative barriers impeding business activities which still survive today from the era of the planned economy or which have come into being as a result of nonsystems solutions of the immediate needs of stabilization policy in recent years. An important goal is the creation of prerequisites primarily to support industrial investments, increases in the qualification and quality of manpower, science, research, and access by Czech enterprises to developed mature technologies.

An important area regarding the renewal of growth and the proper functioning of economic life is strengthening the rule of law. This includes, on the one hand, the finalization and strengthening of legal standards in the economic area (nonuniform standards are fertile ground for circumventing laws and for corruption) and, at the same time, a higher degree of efficiency involved in their enforcement.

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II. Active Steps of Economic Policy

Privatization and Convertibility

We consider it to be a fundamental task to bring privatization to an end as quickly as possible. After completing the second round, the state in the Czech Republic will be in direct control of only 15 to 18 percent of all property. But the National Property Fund [FNM] continues to control a volume of property which cannot be ignored, although privatization projects have been approved for this property. The transfer of such property into the hands of private owners has been slowed down by a whole series of unnecessarily protracted problems (unresolved cases of restitution, difficulties involving cadastral offices, etc.).

The ODA emphatically supports the achievement of full convertibility for the Czech koruna which, together with concluding privatization, can be considered to represent a certain culmination of the period of transformation for our economy. It is already possible today to virtually completely liberalize transactions involving current accounts and, in view of the requirements of the Czech economy, we shall be asserting even a relatively extensive degree of liberalization involving the capital account.

Proexport Policy

Exports are one of the principal engines of growth on every small open-market economy such as that of the Czech Republic. Current development is satisfactory, but outputs from Czech industry lie far beneath the limits of its possibilities, primarily in the export of machinery and installations.

Financing of Export Operations

In exporting turnkey facilities, it is essential for the supplier to compete not only through the price, but also through conditions for payment. Czech suppliers, who compete on this market primarily with exporters from the large industrial countries who have credits available to them from state or state-supported export banks, do not have a realistic chance. The establishment of a Czech Export Bank is a positive step. The ODA will be supporting both the expansion of activities by the Czech Export Bank and also the involvement of the commercial banks in the system of state support for exports.

Access to Foreign Markets

In a number of countries, particularly among CEFTA [Countries of the European Free Trade Association], Czech exporters are encountering deteriorating export conditions: An example can be the selectively increased customs duties in Hungary, the Slovak requirement for certification of origin, and other steps. We support a more effective and more coordinated assertion of the actual liberalization of mutual trade. Similarly, we are asserting the taking of an active approach, both with regard to countries of the EU and also in additional international commercial organizations.

Koruna Rate of Exchange

It is important to prevent the strong real revaluation of the koruna which would lower the competitiveness of a high percentage of Czech enterprises on world markets. Monetary policy must take this factor into account and must focus on stabilizing the rate of exchange in a downward direction at this time. The continued maintenance of a fixed rate of exchange is overly risky, because as the measure of convertibility rises it exposes the Czech currency to opportunities available to financial speculators.

Development of the Infrastructure

Investments in the infrastructure, specifically in transportation and telecommunications, facilitate a rapid expansion of many branches of industry and, in a stabilized economy, have additional multiplier effects.

Transportation

The ODA will support development of modern transportation systems in their infrastructure, perceived on a Europe-wide scale, it will support the diversity of a transport market and the restriction of harmful effects resulting from transportation through the use of economic instruments.

In realizing capital projects in transportation, we shall be asserting a broader utilization of relatively low interest rates charged by international financial institutions, primarily the EIB [European Investment Bank] and the EBRD [European Bank for Reconstruction and Development].

Telecommunications

Here, the most important part of restructuring this branch of the economy is predetermined as a result of the sale of securities to a strategic partner. Basic decisions have already been taken in this direction. The ODA supports these steps, but feels that the state will now have to concentrate on establishing a regulatory framework and establishing conditions for the introduction of the elements of competition into this branch of the economy.

Support for Investments

It is necessary for the physical renewal of enterprises to take place. We shall be asserting primarily those steps

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which will result in greater stimulation for investment activities, primarily the reduction of the tax rate on incomes of legal entities and on that portion of profits which will be used for reinvestment in machinery and installations.

An important source of investments in production installations are foreign investments. Here, we emphasize the difference in the roles played by portfolio and short-term capital investments from capital derived from direct foreign investments. Venture capital or capital invested for purposes of salvaging and restructuring domestic enterprises should receive adequately advantageous treatment even in this country (primarily in comparison with other foreign investments) much like it does in countries that are interested in rapid growth. It is precisely these investments that facilitate access to mature technologies, know-how, and managerial capabilities for our enterprises and create the prerequisites even for access to markets in various regions of the world.

Community property represents a sizable and hitherto generally not utilized potential for the support of economic growth: Communities own a lot of unutilized land plots which are suitable for use in business undertakings. The ODA will support the utilization of this potential at the municipal level, but also on a statewide level. This also involves support for the additional privatization of community property.

Development of the Financial and Capital Market

The Czech economy is struggling with an imperfect institutional structure both with respect to its banking system and also in the area of the capital market. In both cases, a remedy cannot be achieved without assistance from an effective economic policy.

Capital Market

Currently, the capital market is hindered as a consequence of two factors: poor access to information and tax distortions. The most important informational defects are the shortage of information on trade transactions conducted by large investors, particularly outside of the stock exchange or outside of RMS [expansion not given] transactions, on the one hand, and the dirth of information published by enterprises whose shares are being traded. The ODA is asserting a fundamental reworking of the law on securities which must contain much stricter requirements for the publication of data by issuing authorities, must publish the volume of trading in individual stocks by the Center for Securities, and must, at the same time, guarantee better enforcement of these requirements. The publishing of information by investment funds designed to list the composition and changes of their portfolio at regular intervals is particularly important. Regulation of securities trading must be accomplished on the basis of detailed rules which will be binding even for the regulatory organs. We propose that the existing authority in this area, vested in the Ministry of Finance, be transferred to a separate organization.

The principal tax distortion is represented by taxes levied on private individuals in cases where it is impossible to subtract losses based on the sale of securities from realized profits so that taxes are levied on a higher income than that which the citizen actually realizes.

We propose that the FNM make a decision regarding the purposefulness of its strategic holdings and gradually release the other remaining shares to the capital market. Regarding the strategic holdings, it should then strengthen the pressures brought to bear on improving the quality of management and improving the profitability of the enterprise involved. The ODA will push for the fund to conduct itself increasingly like a standard stockholder on the capital market.

The ODA is proposing that the investment funds acquire the opportunity to select from two regulatory regimes (perhaps even from the tax regime) and that they should be either portfolio funds or managerial funds (business funds). With respect to the first group of funds, requirements for diversifying the portfolio will continue to be asserted, new requirements will be imposed calling for the regular publication of portfolio makeup and for listing of the minimum percentage share of the portfolio consisting of high liquid assets. With regard to the second group of funds, on the other hand, we are proposing that requirements for diversification of the portfolio be totally eliminated.

Banking Sector

In the banking sector, the regulatory role of the state or of the CNB [Czech National Bank] is applied to a higher extent than is the case in the other branches of the economy. However, the ODA will make strict demands to have regulation based on the adherence to and consistent enforcement of universally binding rules. We will be supporting a more rapid pace of privatization in the banking sector.

The ODA will be supporting the emergence of small financial institutions focused on collecting deposits and making small loans at various locations. However, this sector will have to be consistently restricted insofar as the size of individual entities is concerned, as well as regarding the content and extent of their activities.

Support for mortgage loans should include a special legal modification of the mortgage credit system, should

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include tax support (proceeds from mortgage loans should be taxed separately, perhaps at a zero rate), and should enjoy direct state support.

Scientific and Advanced School Policy

Both of the above areas involve a series of external factors and, consequently, are public property to a considerable extent. Their positive impact upon economic growth and social well-being is undeniable. We are now faced with a fundamental decision as to whether we shall join the developed or developing nations in this area. We are recommending that the allocation of state budget funds for these purposes be strongly increased for institutions which will be subject to harsh extreme evaluation and will provide guarantees to the state that they will become and will remain peak world-class institutions. In areas where peak quality is not attainable or where this attainment is overly costly, we recommend that activities be restricted and that the results of scientific activity be purchased on world markets. The ODA will be asserting the establishment of more express stimulatory rules for internal management in the education system.

III. Elimination of Barriers to Growth

Thus far, the growth of the Czech economy is hampered by excessive state regulation and price controls for selected prices. The ODA is proposing that a new phase of liberalization be instituted and that surviving distortions in the taxation system be eliminated. The social consequences of such a policy must be covered as a result of a directed social policy.

Liberalization of Wages

Wage regulation, even in a relatively mild form in which it was applied in the Czech economy, results in serious distortions of mutual prices applicable to production factors. Although in principle low wages stimulate exports (primarily in the short term) and direct investments, they contribute to deformation of the economy in the direction of sectors which are exclusively oriented toward cheap labor costs at the same time. Wage regulation also does not permit enterprises to pay the kind of wages which make it possible for them to hire and retain employees and stimulate them to high levels of performance. We are proposing that wage regulation be abolished.

Liberalization of Rentals

The nonexistence of a housing market is a basic factor which acts to restrict the mobility of manpower and, understandably, also the adaptability of the Czech economy. This market cannot begin functioning as long as the cost of housing does not approach a balanced level. The method of balancing the level of rentals against the cost of apartment maintenance by averaging indexes is far from being adequate: It merely reproduces the absurd pricing structure in which living in a high-rise apartment building [in the outskirts] is more expensive than living in the historical centers of towns. The liberalization of rentals presupposes the creation of a system to assist poor citizens which will be based on subsidies for the less affluent groups or on special housing projects for low-income individuals.

An important element facilitating new construction are mortgage loans. The ODA is proposing that laws covering mortgage loans be rapidly finalized and that state support to lower mortgage interest rates be provided.

Regulation in the Energy Industry

The low prices for energy send incorrect pricing signals to consumers and are the source of the high consumption of energy. Therefore, the ODA is proposing that a gradual, but adequately speedy liberalization of prices for all types of energy be carried out, accompanied by a corresponding system of regulation. We are proposing the establishment of a system of regulation the goal of which will be primarily the creation of level conditions for all business entities.

Taxation System

The practice of taxing bookkeeping profits, which also include claims the payment of which is highly unlikely, survives in Czech tax legislation to the present time. According to current practices, enterprises cannot write off uncollectible claims in any manner as long as the debtor has not declared bankruptcy. In the case of claims on foreign customers (for example, in the former USSR), this means that such claims remain on the balance sheet of the enterprise "forever." The balances of our enterprises thus lose their indicative values, which has a negative impact on their credit and market ratings by domestic, but primarily foreign investors. These "incomes" are taxed after they are accounted for, but after they are paid. Taxes levied on nonexisting profits undermine the financial situation of enterprises. The inability to write off bad debts is also one of the principal reasons for interenterprise indebtedness.

Writing Off Uncollectible Claims

Uncollectible claims will include not only claims against enterprises which have declared bankruptcy, but also claims the payment of which is highly unlikely. These claims will be transferred from the balance sheet to become extrabalance sheet items and any possible

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payments on them will be judged as extraordinary proceeds and will be subject to taxation as such.

Liquidation of Bad Debts

The situation at banks is similar to the situation which exists at industrial enterprises. Although banks can create reserves (unlike production enterprises) legally, tax-recognized reserves may be created up to 100 percent of the level of the claim only in the event bankruptcy proceedings have been initiated or in the event a settlement proceeding involving the debtor has begun. For other claims, payment for which is late, it is possible to create legal reserves only up to a level of 10 percent. We propose that these other claims be broken down by the likelihood of their being paid and that the creation of legal reserves even above the 10-percent level be made possible in such cases. Moreover, the utilization of reserves is restricted to cases in which bankruptcy proceedings have been completed. We are proposing that banks be allowed to retain the ability to write off a claim without a court action.

Distortions in the Ownership Structure

The taxation system should be as neutral as possible with regard to the specific property ownership arrangements; in other words, it should make it possible for profits created by a subsidiary corporation which are then turned over to the parent corporation to be taxed as if these were proceeds earned within the framework of a single legal entity. We are proposing that our taxation system take this into account and, at the same time, that it contain measures which do not discriminate between the relationship of subsidiary and parent corporations and relationships with other corporations (interest paid by owners of more than a 25-percent share in the property of a corporation are not recognized as financial costs).

Creditor and Debtor Relationships

The Czech Legal Code contains a three-month protective period for a debtor prior to initiation of bankruptcy proceedings. This provision, which is fundamentally correct, however, becomes such a strong protective measure, thanks to the inadequate definition of the role of creditor committees (which need not be established immediately following the declaration of the protective time limit), that during this time a debtor can practically liquidate his enterprise. Creditors are thus placed in an unequal position, which violates both the very function of bankruptcies in the economy (the creditor has no reason to initiate bankruptcy proceedings because he does not benefit from them) and also the financial streams among enterprises (as a result of the lower claim enforcement possibilities).

New Business Entities

The arrangement governing the establishment of business entities, specifically those with limited liability, continues to be burdened by a superfluous bureaucratic process. The ODA will be asserting the elimination of mandatory small business lists, with the exception of concessionary branches (which are precisely defined by the law) and the establishment of the institution of automatic registration which takes place after the expiration of a stipulated time following the submission of an application, provided the court has raised no objection.

The state should not fulfill the fundamental role of being a guarantor of the quality of products and services, that role should be assumed by the association of manufacturers (operatives) of such services—the various chambers. In principle, these chambers should not have any decisionmaking authority (particularly not when it comes to inputs into a particular branch of the economy), but should evaluate the quality of services rendered in their jurisdictions and should provide information on this quality to the broad and specialized public.

Social Democratic Party Economic Policy

95CH0232A Prague HOSPODARSKE NOVINY in Czech 28 Mar 95 p 11

[Article by vb: "The Economic Policy of the Czech Social Democratic Party"]

[FBIS Translated Text] *We are publishing the abridged version of the economic portion of the platforms of the election program for the Czech Social Democratic Party [CSSD], which was submitted to the congress of this party in the form of an open document as a continuation in the cycle of economic programs put forward by Czech political parties.*

Program Goals

The long-term goal of the CSSD is not only the material well-being of people, but also universal moral, intellectual, and physical development of man and an increase in the quality of life in a healthy environment in a manner which would permit this life to be permanently sustainable.

The prerequisites for approaching this goal are made up of four fundamental economic targets:

1. A high growth rate (at least a 5-percent growth rate) for the gross domestic product should be initiated now on the basis of having the Czech economy approach the competitiveness, efficiency, and productivity which exists in developed nations. In the immediate midterm phase, this growth rate should be facilitated primarily

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as a result of the higher utilization of production factor capacities (on the basis of stimulating demand) and in the longer-term phase, the growth rate should be based primarily on the modernization of these capacities. This modernization must be connected with a restructuring in which the Czech economy will shape its own specialized profile. We consider it to be essential that support be given to orienting this process toward the priority assertion and development of promising comparative advantages inherent in the Czech economy which continue to include, in first place, the education and skill level of the population.

2. The CSSD considers the maintenance of a low level of unemployment to be one of its principal socioeconomic goals. However, it has no desire to continue maintaining this level at the expense of a high level of relative overemployment in enterprises. The party sees the road toward reducing overemployment in the developmental phase in the immediate future through a high growth rate in the economy and as a result of a suitably timed extension of school attendance and the expansion of education efforts. In view of the essential structural changes, another condition for low unemployment is flexibility in the labor market.

3. Maintenance of a sensible degree of price stability and of a social consensus. Our policy is aimed at a low inflation rate. That is why even the policy of stimulating demand must be in harmony with the flexibility of the supply, with the possibility to utilize or expand production factor capacities, so that the annual rate of inflation does not rise even in the face of a high economic growth rate and would, in fact, be declining.

4. Maintenance of a long-term balance in the balance of payments involving foreign countries. The prerequisite here is an increase in the export efficiency of the economy, as well as the orientation of the influx of foreign capital to profitable and adequately proexport-oriented investments.

To meet these targets, it is essential to activate existing sources and to create new more abundant sources of wealth. A long-term source of wealth should be primarily the result of increasing the domestic accumulative potential of the economy (resulting primarily from the faster growth of productivity over the growth of wages and supported by an increased rate of savings). But growth can already be initiated by utilizing the sizable influx of foreign capital, by a rationally oriented increase in the money supply, by the already significant reserves in the position of commercial banks, and possibly by even making use of a tolerable budget deficit.

Economic Policy (Instruments)

The attainment of the above goals requires that fundamental changes be made in economic policy. Even in the face of these changes, however, the CSSD considers it essential to stress the firm points of economic transformation which it wishes not only to adhere to, but to expand further and send this clear signal to its voters as well as to investors. These points include:

- stability of the currency, even though the party wants to turn the economy around toward growth;
- the results of the liberalization process, including the attained measure of convertibility for the koruna, the intensification of which the party intends to underpin even through the development of structural and particularly industrial policy;
- the results in changes of ownership which the party intends to cultivate so that they would truly become elements of committed ownership.

The CSSD will aim its economic policy primarily at the rehabilitation and the culmination of the transformation process. The result will be a modern, ecologically conservative, social market economy in which the role of the "invisible hand" of the market will be purposefully linked with the regulatory role of the "public hand" of state economic policy and public self-administration, as well as with the cooperative role played by social negotiation.

This economic policy will be aggressive in nature. It will be aimed at activating and cultivating the rational market behavior of market entities and the commitment of the human factor in support of the growth and competitiveness of our economy. It will be aimed at satisfying public and social requirements wherever it need be connected with the assertion of the principles of solidarity.

1. Committed Ownership

The immediate priority in creating committed ownership primarily involves the following:

1. Overcome the status of the absolute absence of direct and indirect ownership control at enterprises in which ownership by investment corporations and the state predominates. Pass legislation which would make it impossible for investment funds to play a dual and contradictory role and make it possible within a stipulated time limit for them to effect a compulsory transformation—in accordance with their own choice—of either turning themselves into stock funds which, as an entity on the capital market, can only exert indirect control over an enterprise and would be prevented (as was the case hitherto) from owning a limited share in

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the ownership of the enterprise or, on the other hand, turning themselves into financial holding corporations, which are permitted to directly control an enterprise even on the basis of their unlimited shares in its ownership, but which can then only operate in a limited manner in the capital market. Provide assurance that the state can exercise active ownership control over its current property. The National Property Fund should operate and invest on the profit principle and engage in the conceptual direction and control of property which it has in its portfolio. Permit the National Property Fund to temporarily retain the controlling ownership share in the largest banks in strategically decisive enterprises.

2. Ensure the quality of the forms of ownership. Put an end to discrimination against cooperatives. Adopt a law on financing the funds for employee ownership and a law on registered nonprofit organizations.

3. Reject the chaotic undesirable privatization of public networks—large health care facilities, railroad networks, highway nets, and networks of roads and postal services, the majority privatization of energy and telecommunications systems, but permit competitive private business to join these facilities. Put a temporary halt to the privatization of the housing economy until such times as a social dwelling plan is set and until housing construction is resumed. Make purposesful use of the multitude of forms of public ownership—state ownership, regional ownership, community ownership, public insurance corporations, nonprofit organizations.

4. Establish rules for the entrance of foreign capital into Czech enterprises from the standpoint of protecting Czech strategic interests. Support the expansion of "flagships" of Czech industry and large-scale capital which hold the promise of changing over into future Czech transnational corporations, even though existing policy tends to be wasteful of this opportunity in no small measure. Identify those strategic enterprises in whose privatization the participation of foreign capital will be excluded or restricted. At the same time, identify the priorities, conditions, and advantages even of privatization for a foreign investor.

5. In the long run, consider the system of ownership coparticipation and codecisionmaking on the part of employees to be a strong motivational factor at work in increasing efficiency.

2. Institutional Conditions

We consider it essential to devote considerable attention to creating a modern institutional environment for the functioning of the marketplace. Urgency attaches to the development of a full-blooded capital market which would above all facilitate the rational allocation of new capital.

We are concerned with finalizing the system of legal standards which regulates the conduct of market entities. We consider it essential to aim for the stricter prosecution of tax evasion cases and other economic criminal actions and misdemeanors, including the creation of financial public prosecutors. It is necessary to resolve the conflict of interests which exists among public officials in conjunction with their business activities, the side business activities of managers, and damage done to enterprises by employees who have left and are abusing company secrets, to strive to eliminate dirty money, and to see to it that a duty is introduced to prove how property was acquired which is entering our economy.

We shall increase emphasis on business ethics in the awareness that the market will not itself create them and that they must be brought into it through its institutions and through strict rules as well as through everyday efforts on the part of the executive power and of public opinion.

3. State Control

We consider creation of a transparent verification system on the part of the state which is completely independent to be a significant step with respect to economic transformation. It is necessary to identify the responsibilities assigned to the NKU [National Auditing Office] in the area of verifying revenues and expenditures of public budgets. Until such times as the Office of Financial Prosecutor is established, hold the government and parliament responsible for eliminating shortcomings contained in audit findings.

4. Macroeconomic Policy

Monetary Policy

A monetary policy adapted to growth—even while maintaining monetary stability—should support the growth of cumulative domestic demand through the rational expansion of the money supply. Toward this end, it should be particularly stimulative of savings and the more express advantaging of long-term savings, including savings of building and loan institutions, and should expand the opportunities for capitalizing such savings. It should make purposeful use of the influx of foreign capital (provide primary support for the influx of investment and proexport-oriented capital and attenuate the influx of buyout capital and particularly of short-term speculative capital).

Full convertibility as well as bringing the rate of exchange for the koruna and parity of purchasing power of the koruna closer together are considered by us to

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be demanding long-range goals, for the achievement of which it is necessary to create reliable prerequisites through the adequate growth of productivity and structural increases. Absent these factors, not only growth, but also the currency might be threatened.

Budgetary and Fiscal Policy

The requirement that public budgets be balanced and that the tax burden on economic entities be uniformly lowered are considered by the CSSD to be long-term goals (even affecting our joining of the EU). For the immediate midterm horizon, the CSSD is rejecting the populist government policy of across-the-board reductions in the tax burden on economic entities because it leads to weakening the principal impulses underlying the recovery of the economy—it tends to suppress public demand, it leads to further devastation of public investments and services, it leads to increasing the extent to which the population ends up having to pay for them and still does not provide advantages for promising dynamic enterprises (particularly small enterprises and the processing industry). For the immediate future phase, we consider it essential—even at the expense of the short-term balancing of the budget—to give priority to the tolerable expansion of incomes which would make it possible to bring about prospectively oriented growth impulses (a more magnanimous development of science and research and education, an expansion of public investments in the infrastructure, support of the competitiveness of our economy). For this phase, it is essential to give priority to selective, deliberate advantaging measures in support of the above intentions.

Budgetary and fiscal policies are also based on the principle of autonomy at work in the individual levels of the overall system of public budgets which restricts redistribution within the budgetary system to the optimum extent which guarantees that the lower links in the system, that is to say, communities and regions, have relatively stable resources available for their developmental goals.

5. Employment Policy

Employment policy should not only stress active assistance in seeking and creating jobs (including a system of public works), but should, in the long run, transfer the focal point to the creation of fundamental prerequisites of labor market flexibility: by shifting the focusing of wages to a tripartite level of negotiations, by simplifying the mobility of employees by making transportation to work sites available, by improving quartering and housing and the adaptability of employees on the basis of a developed system of retraining and lifelong education.

6. Structural Policy

Structural policy (and particularly industrial policy) should deliberately support a rise in the competitiveness of our economy in harmony with long-term viewpoints wherever short-term viewpoints of market entities are failing or wherever their opportunities in real time are inadequate. The intentions of this policy will be asserted through deliberate programs which generally provide an equal chance to all economic entities who fulfill uniformly stipulated criteria for these intentions. The stipulation of intentions and programs should emanate from a broader long-term strategy.

Priorities

1. Science, Research, and Education

Economic policy should create the prerequisites for a programmed development of science and research and should support the development of applied enterprise research (particularly through financial participation, with grants, tax advantages for establishing businesses, and for the development of science and technology parks).

An essential prerequisite for the further development of general education and professional training is not only the maintenance of the current extent of compulsory school attendance and related specialized career training, including preservation of the threatened apprentice system and system of specialized education, it is already an urgent task to adopt a program of further long-term expansion of the education and training system to the level of developed Western countries (by prolonging compulsory school attendance to 10 years, by expanding middle school education, by expanding degree-conferring advanced schools, by expanding retraining and lifelong educational efforts).

2. The Infrastructure and Housing

The expansion of public investments, with appropriate participation by the private sector as well, should be aimed primarily at programs to modernize and expand transnational transportation and communications networks and should be channeled to decisive ecological investments.

Massive support for the recovery of housing construction as one of the principal focal points—in contrast to existing policy—in the revitalization of the economy, should, however, be aimed not only at providing tax advantages and interest advantages for mortgage loans and building society savings, but should also aim at utilizing the resources of the public money fund to finance housing construction, to provide advantages for the construction of cooperative and social apartments

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and single-family dwellings (by subsidizing loan interest payments, by developing utility networks and land parcels), to provide heat, and to repair and maintain apartment buildings.

3. Technological Modernization

Enterprise investments and modernization should be provided with tax advantages by facilitating accelerated and so-called superfast write-offs.

Programs for introducing progressive technologies (including recycling) and support for sophisticated production processes selected in the process of negotiating (involving banks, businessmen, regions, the government) could be provided advantages even through interest subsidies and, in exceptional cases, even as a result of capital participation by the National Property Fund.

4. Support for Exports and Integration

We consider support for exports through the creation of a system of information, the granting of credits, the guaranteeing and ensuring of exports under conditions which are comparable with those enjoyed by foreign competitors to be an essential, but not an adequate prerequisite. Under conditions of a weakening proexport influence exerted by a rate of exchange policy, it is urgent to also provide tax advantages to export activities, primarily involving those exports which are ecologically conservative (in accordance with uniform criteria—a share in the value added or an advantage based on the per kilogram price).

At the same time, we consider that it is urgent to support structural changes in the economy, including those that are ecologically disadvantageous, particularly energy-intensive production processes—and thus also provide support for exports—through the ecological tax. On the other hand, we consider it to be essential that temporary protection be provided to the domestic market (particularly nontariff-type protection, including tightening up of ecological and hygienic standards and prohibiting the importation of waste materials).

We should aim the preparation of our integration with the EU particularly at creating prerequisites for the competitiveness of our enterprises as early as the preparatory phase prior to our full membership in the EU as well as focusing on the effort to negotiate favorable conditions for that phase—primarily, measures designed to protect the market in our favor while adhering to WTO [World Trade Organization] conditions.

5. Foreign Investments and Business Activities Abroad

We consider even deliberate support of the influx of foreign investments in conjunction with the strategic interests of the Czech Republic, particularly for the modernization and development of sophisticated products and technologies, to be purposeful. We wish to similarly support business activities by Czech entities abroad.

6. Restructuring of Large Enterprises

Economic policy should support the programmed restructuring and restoration of decisive large-scale enterprises in conjunction with a program for overcoming mass insolvency among enterprises (taking into account the decisive role played by commercial banks which already have the necessary reserves at their disposal to accomplish this move) through the use of market-conforming instruments.

7. Small and Midsize Business Activities and the Regions

Economic policy should assist small- and medium-sized business by providing temporary tax and credit advantages aimed at their technical development, by easing investment by them and creating jobs by simplifying the tax system, providing consultations, and protecting them against monopolies. Similarly, economic policy should help in resolving the situation affecting problem regions by utilizing the initiatives of regional and community self-administration authorities.

Talks With Sudeten Germans Suggested

95CH0226C Prague PRAGUE POST in English 18 Apr 95 p 11

[Commentary by Egon T. Lansky: "Sudeten Issue Calls for New German Policy"]

[FBIS Transcribed Text] Considering how often Czech politicians stress that German-Czech relations are not problematic and that Sudeten Germans are a tiny, mostly extremist group with almost no political leverage whatsoever in today's Germany, it is amazing how many political heavyweights on both sides have recently expressed their views on the topic. There is virtually no political party in either country that has not felt obliged to stress its opinion, some without even having one to express.

A group of 105 Czechs and Germans recently called upon the Czech government to begin talks with Sudeten Germans, a call that was met by dismay across the Czech political spectrum. There are now, however, reasons to ask: What really is the nature of Czech-German

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relations? What are the demands of the Sudeten Germans? And why are they so important that everybody stresses their unimportance?

Well, the nature of Czech-German relations is based on the fact that the two nations are neighbors, the border between them being the longest each country shares with any of its neighbors.

Germany is also the single most important European country politically, economically and militarily. The Czech Republic can never dream of becoming integrated into Western structures against German will. Both peoples have a history filled with wars as well as peaceful coexistence. Sudeten Germans came to the kingdom of the Czechs first as friendly settlers and contributed to the common good before most supported Hitler and helped bring down Czechoslovakia.

Such is the nature of neighborly relations throughout Europe. But in the Czech-German case, there is much untreated resentment on both sides; on the Czech side, it was deliberately kept festering during four decades of communism. This is why Czech politicians, unable to do anything with their private feelings, so easily give in to the public ones. It is so much more opportune, since doing anything else could lead to a certain loss of public support, something no politician is willing to risk. And the Sudeten problem gains extra importance in German politics before elections—which are, after all, not exactly infrequent events.

There are some myths and sacred cows involved on both sides. Sudeten Germans harbor symbolic, undefined values such as their "right to a homeland." And they hope for the opportunity not only to return, but even to have the injustice of having been deported somehow corrected. The problem obviously is defining how many homelands people have a right to, and how does one correct material injustice when the heirs of the dispossessers are poor and the heirs of their victims are rich?

There are also legal problems—on both sides. The Germans, for example, refuse to declare the accords of Munich null and void, which is what the Czechs want. The Czechs will not disavow the Benes decrees, which President Edvard Benes put into effect immediately after World War II, before Czechoslovakia had an elected parliament.

The Czech myths are, if possible, even more irrational. First, there is the myth that the Sudeten problem is unimportant in Germany. Another is that our suffering was greater than theirs and that our victims of Nazi atrocities are entitled to individual material compensations. Here I would like to mention that I am a victim to the Holocaust and know that suffering is neither comparable nor measurable, nor can compensation make the situation OK. I also collaborated on forming Czechoslovak foreign policies in 1991-92, particularly when the current treaty with Germany was being prepared. Therefore, I know that mending fences is not only possible, it is the order of the day. It demands both gestures and deeds. On both sides. But let me speak for the Czech side. After all, we are the weaker and smaller side, and our options are limited.

First, we should never bind our hands by making strong public statements. Since we probably never will be able to enforce any solution, we should be looking for one that would be acceptable or, better still, preferable to the Germans. So we should not try to sell them that which they will never accept. We should be willing to talk. There is no reason why our government should not talk directly with the Sudeten Germans. In fact, we have done so before and will do so again. But we can choose our Sudeten partners and even the subject matter. Negotiating an agreement is another matter. That should only be done with the German government as counterpart.

Above all, we should have a single, viable German policy. We should know what we want to achieve and how. This, I believe, is what we are lacking most.

Once we have done that, we should talk—if possible not in several dissonant voices. We can then talk on different levels, negotiate and make gestures. I am sure we will begin to get results.

Last, we should start working to break down some dangerous prejudices present in Czech public opinions. Until that is accomplished, speaking of integration into Europe is worthless. Worse still, it is worthless talking about democracy when it means living at odds with our neighbors—that is, living dangerously.

GDP Growth Highest Among CEFTA Countries

95CH0232C Prague HOSPODARSKE NOVINY in Czech 11 Apr 95 p 7

[Article by Ivan Sujan, deputy chairman of the Czech Statistical Office: "In Comparison With CEFTA (Central European Free Trade Association) Countries, the Czech Republic GDP Is Showing the Highest Dollar Growth Rate"]

[FBIS Translated Text] At first glance, it is difficult to believe that the report on the 13-percent growth rate for the GDP of the Czech Republic in constant prices is not a figment of the imagination, but rather that it is based on serious statistical data and computations.

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In 1994, the Czech Republic GDP grew, in constant koruna prices, by 13.9 percent, whereas the normal koruna rate of exchange in terms of the dollar declined by 1.3 percent. From this, it can be seen that the Czech Republic's GDP, recomputed in terms of the dollar, grew by 15.4 percent in current prices (see Table 1). If we then divide the index of 115.4 by the interyear deterioration of the value of the dollar (according to the deflator of the GDP of the United States) which amounted to 1.021 for 1994, we arrive at the true interyear index of the Czech GDP in constant prices—113.

Table 1: Growth of the GDP in 1994 in CEFTA Countries in National Currencies and in Dollars

Indicator	Czech Republic	Slovakia	Hungary	Poland
Index 1994/1993, in percent				
1. GDP in current prices, in national currency	113.9	117.1	123.3	136.0
2. Index of rate of exchange of national currency against dollar	98.7	104.0	114.2	125.3
3. GDP in current prices in dollars (line 1:line 2)	115.4	112.5	108.0	108.6
4. GDP in constant prices expressed in dollars (line 3:1.021)	113.0	110.2	105.7	106.3
5. GDP in constant prices in national currency	102.6	104.8	103.2	105.0
6. Valorization of national currency against dollar (line 4:line 5)	110.1	105.2	102.5	101.3

This is not a mere numbers game. Computations of the volume and pace of growth for the GDP in constant dollar prices are currently used in international comparisons which facilitates, among other things, computation of the aggregations and averages for groups of countries. The published pace of the growth of the GDP in China for 1994 (11.8 percent) was also expressed in constant dollars. In terms of the national currency, the growth rate was approximately three points lower. In developed market economies, the growth rates in the national currency and in dollars generally differ only very little because the differences in inflation are either not great or are compensated for by movements of the rates of exchange.

A significant difference between the pace of growth applicable to the real Czech Republic GDP in dollars (13 percent) and in koruna values (2.6 percent) is based on the real valorization of the koruna exchange rate against the dollar. The GDP deflator grew in the Czech Republic in 1994 by an index of 111, whereas in the United States the index was only 102.1; the inflation differential (the relationship between these indexes) amounted to 108.7, and because the koruna exchange rate against the dollar did not grow at the same rate, but even declined (98.7 percent), 1994 saw a real increase in the valorization of the koruna exchange rate against the dollar of up to 10.1 percent.

To illustrate, it is possible to state that if the average nominal wage in the Czech Republic for 1994 increased by 17.1 percent and if the dollar rate of exchange declined by 1.3 percent, then the average monthly wage could be used to acquire approximately 18.5 percent more dollars than was the case in 1993. Even after subtracting the influence of the deterioration of the dollar, it was then possible to acquire approximately 16 percent more foreign goods and services in constant prices. The difference, when compared to the pace of GDP growth in dollars (13 percent), results from the higher growth rate of real wages against the GDP.

Using a method similar to that used in Table 1, we can total up the real growth rate of the Czech Republic GDP in German marks [DM]. In view of the valorization of

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the German mark against the dollar, the real growth rate of our GDP in marks in 1994 is somewhat less than 10.5 percent. Recomputed in terms of the monetary basket of the CNB [Czech National Bank] (65 percent German marks + 35 percent dollars), the real growth rate for the GDP in 1994 was 11.4 percent.

Impact on Imports to the Czech Republic

The high pace of real growth applicable to the Czech Republic GDP, computed in terms of dollars or another convertible currency, does not, however, influence only that small portion of consumption which is realized abroad (as a consequence of private or official travel, etc.). The growth rate has a direct influence even upon all Czech imports of goods and services. The demand by Czech importers on foreign markets does not show up in korunas, but in dollars or other foreign currencies. Thus, if the real Czech Republic GDP in 1994 grew by 10.5 percent in terms of German marks or by 13 percent in dollars (with our GDP growth rate being even higher in terms of Italian lire or Russian rubles), this constitutes a decisive demand factor in the growth of goods imported to the Czech Republic in 1994 by 13.1 percent.

In view of the fact that the growth of the GDP in korunas in the fourth quarter of 1994 increased to a level of 4.8 percent and as a result of the growth in construction and industrial production in January 1995 by more than 7-8 percent, it can be anticipated, given the persisting fixed rate of exchange for the koruna, that the "dollar" growth of the Czech Republic GDP in the first quarter of 1995 is still greater. This can partially explain the extraordinarily high pace of growth of imports in the first two months of 1995.

Growth of the GDP and Monetary Developments in CEFTA Countries

Even though the pace of growth in the Czech Republic, measured in terms of the national currency, has been the lowest for the time being, it is the highest in terms of dollars because the rate of real valorization of the Czech koruna exchange rate greatly exceeds the valorization of the other currencies in central European countries (see Table 1). The permanent devaluation of currencies is continuing, particularly in Poland and Hungary, and compensates for the higher inflation rate (of around 20-30 percent) so that the real valorization of the zloty and forint exchange rates last year was generally small.

The relatively high real valorization of the koruna rate of exchange against the dollar and against other currencies is made possible primarily by the "thick cushion" resulting from the initial undervaluation of the currency and the massive devaluation which occurred toward the end of 1990. The ERDI (exchange rate deviation index) coefficient, that is to say, the ratio between the currency exchange rate and the parity of purchasing power, which expresses the relative undervaluation of the national currency, amounted to 2.82 in 1990 (a computation based on the GDP deflators operating against the dollar), that is to say, the Czechoslovak koruna was virtually undervalued by a factor of three. After the devaluation, at the beginning of 1991, this undervaluation already amounted to a factor of four, and on average the 1991 ERDI coefficient for the Czechoslovak koruna against the dollar stood at a value of 3.3. This was not only significantly in excess of the amount by which the Hungarian currency was undervalued (it has an ERDI index of approximately 2), but was also in excess of the undervaluation of the Polish currency (with an ERDI for 1991 below 3). In subsequent years, the ERDI for the Czech koruna against the dollar declined gradually to 2.73 in 1992, 2.48 in 1993, and 2.25 in 1994 (for 1995, a level of 2.1 can be anticipated). Following the real depreciation of the exchange rate in 1991, its revalorization against the dollar by approximately 20 percent followed in 1992 and by 10 percent in each of the subsequent years. Not withstanding the fact that inflation in our country was substantially higher than it was in the United States and in the Federal Republic of Germany, the nominal koruna exchange rate against the basket of dollars and German marks has remained stable from the beginning of 1991 to this day.

The nominal koruna exchange rate continues to be significantly undervalued. The ERDI coefficient depends primarily on the economic maturity of a country—the higher the per capita level of the GDP, the lower the ERDI, and, in the case of the most mature countries, the ERDI tends to be even less than 1, that is to say, the nominal exchange rate against the dollar is overvalued. In 1994, the ERDI koruna/dollar exchange rate (2.25) is lower than that in Slovakia or Poland (see Table 2), but is higher when compared to Hungary (1.53) and also higher even in comparison with Turkey (which has an ERDI of 1.85 with a per capita GDP level of only about $5,300). In Greece and Portugal, which have a per capita GDP level which is not much higher than that in the Czech Republic, the ERDI amounts to only about 1.3-1.4; Germany and Austria already have an overvalued currency against the dollar (the ERDI is around 0.8), which is even truer of Switzerland (0.7) and Japan (0.6).

The GDP Measured by the Exchange Rate of the Currency and in Terms of Parity

In the first portion of Table 2 below, the per capita GDP level against the dollar has been computed in accordance with the official rates of exchange applicable to the currencies of the individual CEFTA countries.

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According to this computation, the per capita GDP level for 1994 in the Czech Republic would have reached a level of not quite $3,500, which would be substantially more than is the case in Poland and in Slovakia, but less than in Hungary.

Table 2: Per Capita GDP Level for 1994 in CEFTA Countries, According to the Rate of Exchange of the Respective Currencies and in Accordance With Purchasing Power Parity

Indicator	Czech Republic	Slovakia	Hungary	Poland
Data for 1994:				
1. GDP in billions of national currency units[1]	1037.5	398.3	4318.7	2118.1
2. Population (in millions)	10.33	5.35	10.27	38.57
3. Per capita GDP in thousands of units of national currency (line 1:line 2)	100.44	74.45	420.55	54.92
4. Rate of exchange of national currency against the dollar[1]	28.78	32.04	105.12	22.73
5. Per capita GDP in dollars according to rate of exchange of currency (line 3:line 4)	3490	2298	4000	2416
6. ERDI[2] for national currency against the dollar in 1990	2.82	2.82	2.01	3.20
7. GDP deflator 1994/90	2.240	2.041	2.432	3.466
8. GDP deflector differential 1994/90 when compared to GDP deflector (line 7:1.1134)	2.012	1.833	2.184	3.113
9. Dollar exchange rate change 1994/90	1.603	1.785	1.663	2.392
10. Change of ERDI[2] against the dollar 1994/90 (line 9:line 8)	0.798	0.974	0.762	0.769
11. ERDI for national currency against the dollar 1994 (line 6 x line 10)	2.248	2.746	1.530	2.462
12. PPP[3] of national currency against the dollar 1994	12.80	11.67	68.73	9.232
13. Per capita GDP in dollars measured in terms of purchasing power parity (line 3:line 12)	7843	6382	6119	5949

Footnotes:[1]Czech koruna, Slovak koruna, Hungarian forint, 1,000 Polish zlotys[2]ERDI: Exchange Rate Deviation Index (ratio between the exchange rate of the currency and the parity of purchasing power)[3]PPP: Purchasing Power Parity

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In view of the fact that the nominal monetary exchange rates can be significantly overvalued or understated, increasing use is made, particularly in recent years, of international comparisons based on purchasing power parities of the currency, which can express the relative economic level of individual countries more realistically.

Computations of purchasing power parity and their relationship to currency exchange rates (the ERDI coefficients) can differ depending on the currency to which they are related (for example, the ERDI coefficient against the Austrian schilling or German mark is substantially higher than that used in relationship to the dollar) and the type of price indexes used in their establishment (consumer prices are used for comparing consumption levels, industrial producer prices are used for comparing competitiveness). In this study, we are dealing with comparing GDP levels and, therefore, we use GDP deflators (a similar procedure is used by the OECD, the Eurostate, and the World Bank).

The starting values for the ERDI for 1990 for four CEFTA countries in the second part of Table 2 are derived from the results of the European Comparison Project of the United Nations for 1990, where they were originally related to the Austrian schilling. By using the appropriate data provided by the OECD, they were recomputed in relation to the dollar. Their extrapolation for 1994 is derived from the development of the exchange rate of the appropriate currencies against the dollar and from the difference of local inflation rates against the inflation rate. The results are estimates of purchasing power parity in relationship with the dollar, which are substantially lower than the official currency exchange rates.

Per capita GDP computations recomputed in terms of dollars in accordance with purchasing power parities indicate a different sequence for CEFTA countries. The highest per capita GDP level is in the Czech Republic in 1994 ($7,843), which is 23 percent greater than is the case in Slovakia and 28 percent or 32 percent greater than is the case for Hungary and Poland, respectively.

In a broader international comparison, the per capita GDP for the Czech Republic stands virtually at the level of the least-developed nations of the EU, such as Greece and Portugal, in which the per capita GDP level for 1994 can be estimated (using the same methodology) to be approximately $8,100 or $10,900, respectively. Of the average of the countries of the EU (in 1994, this figure stood at a per capita level of $16,600 approximately), however, the Czech Republic stands not quite at the halfway mark for the time being and using the level which exists in Germany or Austria, the GDP level only stands at about 43-45 percent. According to a number of domestic as well as foreign analyses, however, the Czech Republic has realistic prerequisites for the long-term growth of the real GDP pace amounting to up to 5-6 percent annually, which is 2-3 percentage points more than the anticipated average economic growth in the countries of the European Union.

Abandoned Slovak Children Cause Controversy

95CH0226A Prague PRAGUE POST in English 18 Apr 95 p 1

[Article by Timea Spitkova: "Slovakia Is Accused of Handpicking the 'White' Children for Repatriation"]

[FBIS Transcribed Text] The breakup of Czechoslovakia left many unresolved issues, among them the fate of Slovak babies living in Czech institutions.

For over two years, government officials of both countries have been unable or unwilling to decide what to do with the more than 1,200 children with Slovak citizenship living in Czech institutions.

After the split, eager parents quickly gave homes to orphaned babies with Czech citizenship, while babies who were abandoned in the Czech Republic by Slovak citizens have remained in institutions.

The orphans are referred to as "Highway 55 children," since many were abandoned by prostitutes working along the Czech-German border where that road runs.

Recently, the two governments have tried to solve the problem by arranging to ship some of the youngest children to institutions in Slovakia. Although only a few children have been sent across the border, the step already has caused controversy.

"These children have been abandoned by their parents and now they are being abandoned by their country," said Marie Vodickova, director of the Fund for Children in Danger.

The children should be given Czech citizenship, since they were born in this country, Vodickova said. Sending them to Slovak institutions is outrageous, she added.

The repatriation plan was further complicated by the accusation by a director of a Prague children's center that Slovak officials are selecting only healthy, white children to take back to Slovakia.

Slovaks are not interested in taking children who have darker skin or are handicapped, said Jaroslava Lukesova, director of a home for abandoned babies in Prague's Krc neighborhood.

Her remarks at a March 29 press conference elicited a series of denials from Slovak government officials.

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"[Lukesova's] statements are not based on truth," said Ruth Erdelyiova, head of the special schools department of the Slovak Education Ministry. "We have always made it quite clear that we are interested in all children whose citizenship is confirmed, and we want to take them into our care as soon as possible."

Although the accusation that Slovaks are selecting only white babies was also denied by officials from the Czech Ministry of Labor and Social Affairs, some childcare workers sided with Lukesova.

"It's true that we had sent [the Slovak Education Ministry] a list of 25 children with pictures and their characteristics, and they chose from those the best ones," said Valentina Belojova, head nurse at a children's home in Teplice.

According to several reports, the placement of Romany (Gypsy) children in Slovakia is difficult.

From the more than 1,200 Slovak children reported to be living in Czech institutions, the two governments have been concerned chiefly with 87 infants, who are usually easier to place. The older children have not been part of the debate, and their fate is uncertain.

Recently, children's institutions, having given up waiting for the two governments to come to a formal agreement, began placing the children with Czech families.

"There certainly is a demand for the babies," said Belojova. "And as long as their papers are in order, the children go to foster parents or are adopted."

Initially, the Czech Ministry of Labor and Social Affairs had blocked the placement of the Slovak children with Czech parents. But Minister Jindrich Vodicka seems to have distanced himself from that policy, congratulating children's homes that have found parents for the Slovak orphans.

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'Secret Report' on SIS Activities Published

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["Transcript" of "Special Supervisory Body's Report on the Slovak Information Service" presented by Igor Urban, a member of the special parliamentary body for supervising the Slovak Information Service, at an "in camera" meeting of the National Council of the Slovak Republic on 5 May]

[FBIS Translated Text] *Warning: The published speech by Movement for a Democratic Slovakia [HZDS] Deputy Igor Urban is the transcript of a tape recording, without any grammatical or stylistic changes. Indistinct passages are marked by three dots.*

Igor Urban: Based on a decision by the Special Supervisory Body [OKO] of 3 May 1995, I have been authorized to deliver to the National Council of the Slovak Republic [NRSR] the OKO Report on Supervising the Activity of the Slovak Information Service [SIS]. Before doing so, let me address some organizational issues. The OKO has made sure that, on entering the NRSR assembly hall, deputies are provided with presentation lists for their own instruction and so that a record can be made of their entitlement to become acquainted with facts regarding the activities of the SIS that constitute state and official secrets. I will read this again, and I am asking deputies who have not yet signed the list to please do so. Pursuant to Article 5 of Law No. 102 of 1971 on the protection of state secrets, in the wording of subsequent changes and amendments, NRSR deputies are entitled to become acquainted with secret facts regarding the activities of the SIS to the extent that these are contained in the submitted OKO report. Under the law on the protection of state secrets, deputies are obliged to keep silent before unauthorized persons about secret facts under discussion here. They are aware of their liability under the Penal Code, or disciplinary liability, in the event of violation of this obligation and leakage of secret information. In Bratislava, 5 May 1995.

I will now go very quickly over the presentation list and will ask deputies who have not signed it yet to do so.

(Igor Urban starts to read a list of the names of deputies, Slovak Government members, chairmen of the Constitutional and Supreme Courts, the prosecutor general, and the governor of the National Bank of Slovakia and asks them to sign the document available in the hall. Some of them are not present).

Igor Urban: V. Meciar, Slovak prime minister—not here; Minister L. Javorsky—not here; Minister J. Liscak—not here; Minister J. Schenk—not present; Constitutional Court Chairman M. Cic—not present; Supreme Court Chairman K. Plank—not present; Prosecutor General M. Valo—not present; National Bank of Slovakia Governor V. Masar....

(Deputies' voices are heard suggesting that they approve by a vote the presence of the Supreme Inspection Office chairman. Igor Urban asks deputies whether they agree with his presence. Approving voices are heard, and one deputy says: Mr. chairman, the doors are sealed, stay here).

Igor Urban: Esteemed Mr. Chairman, esteemed colleagues, allow me to read the report. Before starting to read, I should perhaps announce that this report is being read to you on the basis of a decision approved by the SIS director who, for the purpose of this report, deprived OKO member Igor Urban of the obligation to keep silent to the extent of this report.

Report by NRSR OKO for Supervising the Activity of SIS

The task of the NRSR OKO for supervising the activity of the SIS is to safeguard parliamentary control over a state body charged with protecting the constitutional system and internal order and security of the Slovak Republic to the extent defined in NRSR Law No. 46 of 1993 on the SIS. In order to meet this task, the NRSR elected in the first electoral term established the OKO for supervising the activity of the SIS and, on 4 November 1994, elected its five members. In this composition, the OKO carried out a check of the SIS's activities until 18 April 1995. On the basis of the appointment of Ivan Lexa as SIS director by the Slovak Government on 18 April 1995 and his departure from the Movement for a Democratic Slovakia [HZDS] Club of Deputies, Mr. Ivan Lexa ceased to be a member of OKO, in accordance with Article 6, section 2, of Law No. 46 of 1993. Since 18 April 1995, OKO has been working with four members. The OKO for supervising the activity of the SIS has held nine regular meetings and, in accordance with the rules of procedure, several control operations by OKO members in groups have been carried out. The first meetings were held in the meeting room of the NRSR Defense and Security Affairs Committee. Later, following the establishment of the necessary conditions in terms of space, technical equipment, personnel, and special regime, the OKO held its meetings in its own office, NRSR room No. 48.

At one of its first meetings, the OKO adopted its rules of procedure in the wording of the rules of procedure of the OKO that was elected in the previous electoral term. In addition to OKO members, OKO meetingshave been

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attended, in accordance with the rules of procedure, by the OKO secretary, who also secured organizational and technical tasks associated with the OKO's activity, including documentation and materials containing state and official secrets. All OKO members and the OKO secretary pledged in writing to keep silent on facts they learned in the process of the OKO's activity and that are subject to state or official secret under Law No. 102 of 1971 on [the Protection of] State Secrets. OKO meetings were also attended by members or former members of the SIS whom the SIS director freed of their obligation to keep silent, on the basis of the OKO's request in keeping with Article 23 of Law No. 46 of 1993 on the SIS and with Article 15, Section 1, of Law No. 102 of 1971 on the Protection of State Secrets in the wording of subsequent amendments, as well as by SIS members who testified making use of Article 2, Section 5, of NRSR Law No. 46 of 1993 on the SIS, in the interest of providing information aimed at the prevention of unlawful activity. A total of 17 current or former members of the SIS testified before the OKO for supervising the activity of the SIS, some of them more than once. In its activity, the OKO also proceeded from documents and materials submitted by the SIS director at the OKO's request. The written records of OKO and SIS members' questions and replies and other written documents comprise more than 180 pages. Throughout the NRSR OKO report, code names or registration numbers of the personnel files of SIS officers are used, with the exception of SIS Director Vladimir Mitro, whose real name is used. The code names of former or present SIS members used in the report are not authentic and were determined by the NRSR OKO. A secret supplement to the report contains a table of the real names and code names of SIS officers, as well as the code names determined by the OKO for the purpose of this report. To minimize the declassification [dekonspiracia] of the activity of the SIS, the report does not contain all the details that the NRSR supervisory body learned in the course of its activity. All pieces of evidence that served as a basis for drafting this report have been deposited in the NRSR OKO archive. The new SIS director declassified the above documentation only to the extent of the report being submitted.

In keeping with provisions of Article 5, Section 3, Letters a, b, c, and d, OKO made use of its powers and, following OKO's request, SIS Director Vladimir Mitro personally submitted to it the SIS statutes, internal regulations regarding the orientation and organizational structure of SIS components, conditions regulating the use of special devices, the ways and means of keeping records, as well as a report on the activity of the SIS and its results from June to November 1994. Based on a subsequent request, the OKO was also provided with documents for checking the management of the SIS budget and with information on the "Scarabaeus" file.

Activity of the NRSR OKO in Checking on the Management of State Budget Resources and State Property Administered by SIS

In view of the SIS director's failure to furnish sufficient documentation, in January 1995, the OKO charged deputies I. Urban and H. Kraus with securing comprehensive documentation for checking on the management of SIS funds on site, that is, at the SIS workplace. On the basis of this documentation, it carried out a random audit of the management of state budget funds. In accordance with this decision, an audit of the subject [predmet] was carried out. The SIS director was asked to make available all invoices amounting to more than 1 million korunas [Sk], including documentation on the procurement of goods by means of SIS orders, documentation on the drawing of wage funds in 1994, and some internal legal norms. The SIS director submitted a total of 14 invoices from the recent past. In all cases, the name of the ordering firm [SIS] was openly used on the invoices. A check of the above documentation has revealed the following serious shortcomings in substance and form, as well as conduct constituting violation of legal provisions. A public tender in accordance with NRSR Law No. 263 of 1993 on the Acquisition of Goods, Services, and Public Works in the wording of subsequent amendment was not invited in a single business deal. At the same time, in most cases, no specific explanation was given about the reasons not to invite a public tender. In the case of several limited competitions [uzsi sutaz], the terms of acquisition in the sense of the above law were not complied with and winners were announced who did not meet previously set conditions. Commissions were changing the assigned terms of acquisition in the course of the limited competition. At the same time, there are documents bearing out that decisions on the winner were influenced by subjective interference. In one case, there exists suspicion of a criminal act having been committed. As a result of the incompetence of functionaries responsible for determining the terms of limited competitions, the capability of the procured equipment to operate under a regime of various levels of secrecy was not included in the terms of the competition as a criterion for selection. At least in the case of one limited competition, the contract was signed under terms different from those under which the competition was won, conditions that were evidently more advantageous for the supplier. It has been ascertained that the procurement of computers, but also other equipment, is not being coordinated, which evidently resulted in the uneconomical use of funds. For example, in the last

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three months, three selection procedures for computers were organized. The sequence of steps in realizing deal No. 1166/1994 testifies to acts by the highest SIS representatives directed against SIS interests. Based on these acts, the sum of Sk100,000 was paid out without authorization as remuneration for the delivery of a vehicle for integrated use [integrovane pouzitie], including use by the SIS director. According to the testimony by one SIS officer approached on this matter, the timeliness of obtaining the subject of the contract was not as urgent as to necessitate the conclusion of a contract that was evidently disadvantageous for the SIS. The invoice for the subject of the contract was issued, and defrayed, prior to the signing of the contract referred to on the invoice. The decision to procure the article in question by ordering it directly from the pertinent firm has not been adequately explained and has no backing in the contract.

(Deputies' protests are heard: This is supposed to be secret? Is this the secret report?)

Moreover, it is not confirmed by the standpoints of interest groups. The remuneration was awarded in contravention of Article 9 of NRSR Law No. 567 of 1992 on Budgetary Rules in the wording of subsequent amendments, as well as Article 3 of Ministry of Finance Decree No. 638 of 1992 on the Management of Budget Funds and on the Management of Budget-Funded and Subsidized Organizations. In the period under review, a fairly large number of vehicles were purchased on the basis of the SIS director's decision. All these vehicles were purchased from one firm. The submitted documentation reveals that some of these vehicles were purchased at prices that were higher than those quoted on this firm's official price list at the time of the purchase.

Documentation Regarding Uneconomical Use of SIS Funds

An even more serious finding in this case is the fact that the SIS staffers charged with this purchase of vehicles acted in a way that, in a short time, caused the declassification of the SIS staffers and purchased vehicles. As transpires from the regulations submitted by the SIS director, he failed to specify which goods, and for which purposes, can be acquired by means of a limited competition or direct order, for reasons of confidentiality. This decision by the SIS director created scope for subjective decisions on the form of acquisition and direct orders. Another serious finding is the fact that, through negligence on the part of the responsible SIS members, there has been complete declassification of the buildings, electric and other installations, and engineering, radio, and telephone networks. All the blueprints and drawings of construction and engineering changes have been left in the hands of the private contractor who carried them out. The audit focusing on the management of state budget funds revealed that, in disposing of state budget funds, the SIS did not comply with the provisions of NRSR Law No. 263 of 1993 on the Acquisition of Goods, Services, and Public Works and NRSR Law No. 567 of 1992 on Budgetary Rules, as amended by subsequent regulations, as well as with the provisions of several internal orders and directives. The above cases confirmed that the internal legal regime permits wasteful use of SIS funds. The status quo was undoubtedly contributed to also by the supervisory bodies of the SIS director and other SIS officers, which did not adequately fulfill their duties.

OKO Activity Focusing on Supervision of Law Observance in the Operative Sphere of SIS Activities

On the basis of the OKO's decision of 10 February 1995, OKO members, divided into two groups, visited the SIS operative sections. The goal of this inspection was to verify facts regarding SIS actions constituting transgression of the law. Testimony by Intelligence Director Igor Cesnak [apparent reference to Intelligence Director Igor Cibula—Cesnak means Garlic; Cibula means Onion] confirmed (laughter and applause in the hall) that, after his employment with the SIS, he continued to publish a periodical entitled AKTUALITY SLOVENSKEJ TLACOVEJ SLUZBY [Slovak Press Service News], which was being distributed to representative missions in Slovakia and abroad. There can be no doubt about the intelligence origin of these news. This is documented not only by the headlines of articles—such as "Situation in the HZDS Parliamentary Club," "HZDS and Its Breakaway Faction"—but also by their contents. At a number of places, it is pointed out that unpublished information is involved. This not only allowed information to leak outside the SIS, even beyond the borders of the Slovak Republic, but the articles in question—and, in particular, their conjectures, contents, structuring, and sequence—evidently pursued the goal of regulating, influencing, or even initiating the processes they described. Asked why he continued to engage in this activity after being hired by the SIS, Intelligence Director Cesnak failed to provide an answer. Quite the contrary, he confirmed frequent personal contacts with Prime Minister Moravcik, which continued even prior to the 1994 elections and the installation of Vladimir Meciar's government. When OKO members pointed out that the provision of information to constitutional officials directly by the intelligence director was at variance with the law, he justified his action by saying that it was necessary and unavoidable. SIS Di-

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rector Mitro confirmed that he knew about these facts and that, in some cases, Intelligence Director Cesnak acted on the basis of authorization from him. This activity by Director Mitro and the Intelligence director is a clear violation of Law No. 46 of 1993 on the SIS, NRSR Law No. 102 of 1971 on the Protection of State Secrets, and SIS internal legal regulations. Transgressing the law, the SIS also dealt with the activities of the HZDS and its economic potentials. On the basis of file No. PF 00375/A-94, which was made available by Counterintelligence Director Orol [Eagle], it has been ascertained that the SIS was working on [rozpracovala] the Salus Ltd., which is 100 percent HZDS-owned, with the goal of obtaining information on the firm's ability to finance the HZDS campaign in the 1994 parliamentary elections. Based on instructions that came directly from Director Orol in June 1994, intelligence investigations were launched against Salus. The goal of the investigations was to ascertain the property and family situation of two managers acting in the name of the firm as well as their links. Based on this and subsequent information and in accordance with the prosecutor general's letter No. 3/1995 of 21 April 1995, page 135, and the provisions of Article 23, Section 3 of NRSR Law No. 46 of 1993 on the SIS and Article 16, Section 1 of the Federal Assembly Law No. 102 of 1971 on the Protection of State Secrets in the wording of subsequent amendments, OKO asked the SIS director to free SIS members who were assigned tasks directed against NRSR deputies, political parties, and their representatives of their obligation to remain silent. The SIS member who started the Salus file was freed of his vow of silence by the SIS director and confirmed the aforesaid facts. According to his testimony, Director Orol explained the SIS interest in the activity of the HZDS-owned firm by the SIS director's plan to issue in the near future instructions for launching a project entitled "Laundering of Dirty Money." The SIS member's testimony revealed, furthermore, that he asked Director Orol whether the SIS should not proceed comprehensively within the framework of the planned project, and include in its investigations also other political parties. Director Orol replied that the SIS member should proceed only against the firm Salus. In the testimony it is also stated that the information ascertained was passed on directly to Director Mitro. Director Mitro was evidently satisfied with the information he received, as he confirmed his interest in the continuation of intelligence investigations. As documented by the file in question and supplemented and specified by the SIS member's testimony, the SIS intelligence investigations against the HZDS during the 1994 election campaign focused on the economic dispositions [dispozicie] of the HZDS.

The testimony by another SIS member revealed that the SIS activity against the HZDS did not focus on the economic sphere alone. An external SIS collaborator was working directly in the HZDS head office. Before joining the service, he was assistant to a minister and a state secretary, HZDS functionary, and member of its central campaign team. In July-September 1994, this SIS member, who has meanwhile been freed of his vow of silence, had seven meetings with Director Orol. At these meetings, he supplied Orol with information on the activity of the shadow cabinet, the HZDS Political Board, the central campaign team, and the HZDS Office. Through this external collaborator, the SIS was continuously ascertaining the authentic electoral forecasts of the HZDS. The external collaborator was also sounded out on the expected development in the HZDS. For services rendered, in September 1994, this external collaborator became SIS control officer in legalization [riadiaci dostojnik v legalizacii] with the code name Jazvec [Badger]. According to verified documents, he submitted his last report on HZDS activity, already as SIS member, from the Fifth HZDS National Assembly in Bratislava, in organizing which he personally participated.

According to the statement made by this agent, it dealt with information intended for the president. According to this agent's testimony, he became personally acquainted with the president in the past and, at a certain point, was even recommended by the president for acceptance into the Office of the President. Similar statements on channeling the flow of SIS information on HZDS activities to the president also crop up in some other records. The OKO has obtained the testimony of an officer in legalization who works directly in the Office of the Government. The officer in legalization, under the code name Lovec [Hunter], confirmed that the SIS was misused against the HZDS on behalf of circles close to the president. To substantiate these extraordinarily serious facts, he gave a further example in writing, when he received an order from his control officer to obtain compromising materials on leading HZDS officials—mainly on Prime Minister Meciar, Ms. Nagyova, and Mr. Lexa—with the assurance that the OKO would not find out about it, because the materials obtained would be destroyed concurrently. The accredited counterintelligence director, Sokol [Falcon], then informed him that other reports and agency files on the HZDS and its other representatives are also destroyed. When he refused to carry out the control officer's order, the control officer told the officer in legalization that he should submit a request to resign by mutual agreement, because, otherwise, he would be discharged from the service—like several colleagues—for not carrying out an order. The control officer's lack of professionalism

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is also substantiated by the fact that he further threatened the officer in legalization by telling him that, if he refused to agree to his resignation, Mr. Lexa would find out about his activity for the SIS at the Office of the Government and that he would make sure that the officer in legalization would lose his job. On the basis of his refusal to obtain compromising materials on Prime Minister V. Meciar, Deputy I. Lexa, and Ms. Nagyova, officer Lovec was discharged from service in the SIS on 30 March 1995. This SIS officer testified that, during his employment at the Office of the Government, he handed over to his control officer materials in the form of printouts [vystupy] from the Office of the Government's supervision department that had been submitted at a government session. The SIS' activity against the HZDS and its representatives on behalf of the president is also substantiated by other findings.

In August 1994, the counterintelligence director, Orol, summoned agents with the code names Liska [Fox] and Vlk [Wolf] and set them the task of supplementing the part of their agency file whose objective was to get the intelligence game going by initiating a false report on the activity of certain senior HZDS representatives oriented against the HZDS chairman. Using threats, he forced them to state that a group comprising Sobona, Nagyova, Lexa, Hudec, and others was being formed within the HZDS that intended to guarantee—and I quote—"the political elimination of HZDS Chairman V. Meciar." In his threats, Counterintelligence Director Orol said that, if they did not include the aforementioned snare in the agency report, I quote, "no Meciar, Lexa, or OKO would help them and they could be certain that, as long as the president is in office, the entire current SIS leadership would be here." In another threat, Director Orol said that these reports go directly to and are only for the SIS president, pardon me, the Slovak president. By means of such carefully modified agency-type official information, the intention was to strive, through the media, to erode confidence in the HZDS leadership, the central campaign team, and so on prior to the 1994 elections. Only anxiety about the disclosure of these methods linked to the fundamental protests by the junior agents prevented this false information from being misused in the media. One of these agents stated that, at a meeting with Intelligence Director Cesnak in 1994, Cesnak had said that, I quote, "he has the situation firmly under control, because he knows the current prime minister, he is his personal adviser, that he also knows the president, he was the one who drew them into politics, and, therefore, they are grateful to him for this." This behavior by SIS and its leadership proves that its activity was not only oriented toward extracting information from the HZDS, but also toward the SIS's active involvement in programing disintegrative processes within the HZDS. It is unequivocally apparent from the written testimony of the former counterintelligence director that former SIS Director Mitro personally controlled the most important legalized [legalizovany] SIS officer. The aforementioned officer, with double cover under the names Jozef Kolovratnik—listed in the records under the code name Tiger with the agency No. 205062 and the rank of SIS captain in active service from February 1994 to November 1994—provided the SIS director with information of the most confidential nature, the most confidential nature. This officer worked officially until March 1994 in a senior managerial position in the Office of the Government. Following the March events, he moved to the HZDS headquarters where he held an equally senior position within the HZDS central apparatus. By virtue of this, he regularly attended meetings of the most senior HZDS bodies—the Political Board, the Presidium, and the shadow cabinet and consultations involving the central campaign team, and others. In the sector that he managed, he was responsible for coordinating the output of the most senior HZDS bodies. SIS Director Mitro personally controlled the officer and he personally handed him his salary, special payments, and money for other expenses. This element of his activity is documented, but toward the end of Mr. Mitro's term in office his personnel file and work records were falsified, the goal being to absolutely conceal the aforementioned SIS officer. All of the information provided by this officer also disappeared from the archives and was replaced with false foreign intelligence reports from the October-November 1994 period. According to the records, the SIS captain in legalization collected a salary from February to November 1994. During the aforementioned period, he received several tens of thousands of Slovak korunas in special payments. Despite the fact that he was listed in counterintelligence, only insignificant reports from various parts of the world supplied in two batches of eight sheets each—one in October and one in November—appear in the file. The entire file under the code name Tiger was stamped on the front page only from 1 to 31 October 1995 [date as published]. The reports for which the SIS captain received such a large amount of money are not contained in the SIS databases. The aforementioned officer forged his first contacts with SIS in the first half of 1993 when he received a special payment as an external SIS employee when he worked in the Office of the Government. In November 1993, a purchase agreement was signed between the aforementioned officer, at that time still a civilian, and a senior SIS control officer with the rank of lieutenant colonel for a Smith-Benson revolver. The origin of this weapon is puzzling. From November 1993, however, the aforementioned officer is its official owner. Identifying this

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officer with the highest cover was very complicated. It required expert analyses from the field of graphology and was confirmed by a former counterintelligence staffer. Personnel file No. 205062, which until October 1994 was kept on a specific physical person, was in the period between October 1994 and March 1995 falsified under the nonexistent name Jozef Kolovratnik and contained other unidentifiable data such as the date of birth, birth registration number, and so on. There are no documents in the SIS. During the entire period of his service, this officer was controlled personally by Director Mitro, who personally handed him his high regular salary, special payments, and rewards. He was the only legalized officer whose records were kept and filed in such a nonstandard way. The falsification of a personnel file, with the file No. 205025, was also ascertained for another legalized officer in the counterintelligence part of the SIS. It is apparent from the testimony of other senior SIS officers that materials referring to V. Meciar; I. Lexa; J. Ducky; J. Luptak; J. Slota; V. Moric; Ms. Nagyova; and also—among others—Messrs. Andrejcak, Tuchyna, Sobona, and Slobodnik crop up in the counterintelligence service's written materials. It is indisputable that the SIS was gathering various kinds of information on the aforementioned political representatives. On 20 January 1995, SIS Director Mitro held a personal meeting with the director of the Military Intelligence Service. At this meeting, which took place in Director Mitro's office, he informed his colleague that he had personnel problems, because the NR SR deputies were trying to get his post. Based on the fact that Deputy I. Urban was the state secretary at the Defense Ministry, Director Mitro asked the director of military intelligence for compromising materials on Deputy Urban. At the same time, he manifested an interest in acquiring an intelligence-documented military secret service link to Prime Minister Meciar through Deputy Urban. Questions were asked in the OKO. Is there not a connection between the statements by the president about Meciar's creation of a parallel HZDS intelligence service and Director Mitro's request for documentation proving the prime minister's intelligence affiliation? What purpose were the requested compromising materials on the prime minister and Defense Council chairman meant to serve? Were they only meant to serve the SIS director's purpose? How did he intend to dispose of them? The OKO has not ascertained this. It has, however, ascertained other facts that may also shed more light on these activities of the SIS director. It is apparent from the testimony of a SIS agent that Intelligence Director Cesnak—generally regarded within the SIS as its real head—said in a personal interview that "he has compromising materials on the president by means of which, according to him, he holds him at bay." According to Cesnak, he also has such materials—which he acquired during the period he worked as an intelligence officer in Prague—on other politicians. How many and which politicians does Cesnak in fact control?

A deputy: Me too! (laughter in the chamber)

I. Urban continues: For whom is the former intelligence director still dangerous? Influential Intelligence Director Cesnak oriented his intelligence activities toward those he did not control. This was also the case during NR SR Chairman I. Gasparovic's visit to Great Britain. The NR SR chairman's movements throughout his visit were monitored by a SIS officer in legalization with the code name Koren [Root] and intelligence information was sent by him to Director Cesnak. In this context, it has been ascertained only by chance that the contact for the officer in legalization operating in London, who was controlled by Cesnak personally, is also on the bulletin board in NARODNA OBRODA's editorial office. The legalized officer in London, according to his own testimony before the OKO, stated that, based on a request from Cesnak, he monitored Mr. Gasparovic's visit to London in 1993. He provided an expert opinion on the so-called Panic letter [in which the former Yugoslav prime minister, allegedly, wrote to Meciar to thank him for an offer of arms]. At the beginning of 1994, he was in personal contact with Igor C. (Obviously, due to the atmosphere in parliament, Igor Urban gave Cesnak's real name—editor's note. The voices of the deputies pointing out to the speaker that he should have said Cesnak can be heard) at several-week intervals. According to the testimony of this officer in legalization, close ties to former Prime Minister Moravcik and Intelligence Director Cesnak had been forged, forged from the time of their active cooperation in the Club of the Leninist Spark, known from the Scarabaeus file.

Other facts corroborate the disintegration of the SIS. In 1994, the SIS agents with the code names Maly [Small] and Muska [Midge] received an assignment to prepare an information link system between the so-called bugging and analyses for future information use. While carrying out this assignment, Maly got hold of a recording of a telephone conversation between Intelligence Director Cesnak and then Prime Minister Moravcik. After the illegal bugging was exposed, instead of investigating the event, Director Mitro had the technicians who took care of the technical side of the recording punished. The wiretap recordings were used contrary to the internal legal norms. According to the testimony of SIS agent Maly, he was receiving assignments from Counterintelligence Director Orol that consisted of transcribing the wiretap recordings in a form of an agency transcript. These copied transcripts were subsequently

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submitted to Director Orol for signing, who usually, I quote: "Scratched it through and wrote that it needs to be rewritten." According to this testimony, these transcripts were then used, for instance, as final reports of the SIS agents.

The OKO also determined violations of the Law on Employment of Police Corps Officers. Thus, the former counterintelligence director, for instance, was recalled from the post and transferred to another job. In this instance, the legal requirements have not been satisfied, and, moreover, prior to the announcement of the transfer, he was several times rewarded, even financially. The justification of the recall did not contain any legitimate reasons as specified by law.

Within the framework of its activity, the OKO came across a strictly classified order of the FIS [Federal Security Information Service] director, No. 83 of 20 May 1992. This goal of this order is evidently to cover the FIS activity that was executed beyond the limits of law against political parties and their representatives, and particularly against the most likely victor of the 1992 parliamentary election in Slovakia, the HZDS. As the order reads, because of the realistic possibility of the victory of nondemocratic forces and the danger of the possible nondemocratic development in Slovakia following the elections on 5 and 6 June 1992, the FIS director orders:

—to collect and submit files, diskettes, registry cards, and other material regarding the operation of the 1st Section of the 1st Department prepared after 1 January 1991,

—to collect documentation of the 3d Section prepared after 1 January 1991 that could be used to discredit the activity and interests of the FIS,

—to scrap registered note books issued after 1 January 1991 if they contain entries that could be used to discredit the activity and interests of the FIS,

—to dispatch classified and secret files kept after 1 January 1991 and start new ones as of 1 June 1992,

—irretrievably delete from all magnetic media all data suitable for discrediting the activity and interests of the FIS, destroy or dispatch all material that is not classified or secret but discloses the interests of the FIS,

—to dispatch to a predetermined place all personal material of the FIS staff, or former FIS staff, or personnel trained for FIS work,

—to dispatch to a predetermined place all cover documents of the 6th and 7th Sections of the FIS.

Other findings also corroborate the systematic character of the FIS work. Following the fall of the government of Vladimir Meciar in March 1994, the SIS recruited two officers in legalization from circles close to the HZDS with the code names Kubik and Novak. The control officer, who cajoled them into this work, specified their range of operation. For those uninitiated, it may be necessary to point out that the range of operation of an SIS agent is one of the documents included in the personal file of the SIS agent. Hence, it is an official document that defines the scope of activities of that agent. The content of these documents filed in the personal material of these agents clearly demonstrates how far the SIS went in the illegal activity. The officers in legalization registered under the numbers 205060 and 205061 were assigned the following scope of activities that goes beyond the law on the SIS:

—off-duty contacts of the SIS staffers with the ruling and the opposition parties,

—political parties and movements,

—activity of the shadow government,

—extracurricular activity of deputies,

—extragovernmental activity of government officials.

Within a few months, these officers in legalization were paid several hundred thousand korunas. The size of the remuneration indicates that the value of information provided by these SIS officers on the HZDS was not insignificant.

Under these circumstances, it cannot come as a surprise that—as confirmed by one of the participants—at an official action involving a foreign delegation that took place right after the change of governments in March 1994, a foreign intelligence officer congratulated Counterintelligence Director Cesnak on the best SIS intelligence action in its short history and referred to the new government as Cesnak's government. It is a tragedy of Slovakia that Counterintelligence Director Cesnak gave the main role in this intelligence supergame to the president of the Slovak Republic. Regarding this situation in the SIS, on 13 February 1995, shortly after most of the allegations about the activities of the SIS were proved, the OKO for the SIS control accepted the resignation of the entire SIS top brass. This resignation was a logical result of the illegal activities of the SIS and its management. According to statements made by the agents earlier, instructions were issued even earlier on the liquidation of all documents and media regarding the activity of the SIS aimed against the HZDS. The scrapping was so extensive that even such documents, the existence of which was confirmed by former Director Mitro at the news conference on 6 April 1995 saying that he had studied in detail the documents regarding the visit to London by the NRSR chairman, could not

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be found. The intelligence director confirmed this to the OKO in writing after he was relieved of his vow of silence. The then SIS statutory representative testified that Mr. Mitro was not relieved of the vow of silence prior to the aforementioned news conference. Here, it must be pointed out that private persons cannot provide statements on SIS activities to the media because the fundamental conditions requiring one to be relieved of the vow of silence would not be satisfied. For the NRSR, the OKO assessed this act by Mr. Mitro as a transgression of Law 46/1993 on the SIS and Law 102/1971 on state secrets.

The intelligence games played by the SIS leadership knew no limits. The height of arrogance and further proof of the illegal activities of the SIS is the testimonies of its agents that refers to the objective and work of the SIS on processing OKO members. A high-ranking SIS officer, Sokol, confided to his subordinates his plan for securing funds and purchasing information from one of the deputies, a member of the OKO. For this purpose, a remuneration of Sk10,000 would be collected on a fake file. (Laghter in the room)

A deputy: Just one decent dinner.

I. Urban: It has been determined that the SIS agents had information regarding the suspicion of illegal activity by the son of the president of the Slovak Republic and facts indicating that a high-ranking official of the Slovak Police Corps attempted to hinder the progress of investigation and leave the name of Michal Kovac out of the inquiry into the fraud against the firm Technopol Co.

The OKO decided in its session on 28 March 1995 to inform the NRSR, the Office of the Prosecutor General, and the Government of the Slovak Republic about the ascertained facts, which it classified as a suspicion of the violation of NRSR Law 46/1993 on the SIS according to Article 5 Section 4 of this law. The control body tasked its chairman with immediately informing the Government of the Slovak Republic of the resolved extent. At the same time, it adopted a decision that the NRSR and the Office of the Prosecutor General of the Slovak Republic would be informed about the drafting of the report by the OKO for the SIS control, which would be presented at the 7th session of the NRSR. The OKO proposed to discuss this report as a separate item on the agenda of the National Council session.

In its session on 25 April 1995, the OKO for the SIS control dealt with the stand by Slovak President Michal Kovac on the speech by Slovak Prime Minister Vladimir Meciar regarding the bill on the SIS. The OKO analyzed the president's stand in detail, and adopted the following resolution:

For the purpose of the SIS control, the OKO

1) acknowledges the stand by the president of the Slovak Republic regarding the facts ascertained by the OKO and delivered by the prime minister of the Slovak Republic,

2) confirms all facts mentioned by Slovak Prime Minister Vladimir Meciar regarding the activities of the SIS,

3) finds

a) questioning the OKO findings and claiming that they are only speculations of the Slovak prime minister, and desinformation, aims at casting doubts on the work and results of the OKO, which was established by the NRSR for the SIS control,

b) the president of the Slovak Republic was aware of the illegal activity of the SIS, and the results of this activity were available to him,

4) strongly protests against the part of the stand by the Slovak president, which states, I quote: "The OKO members grossly violated NRSR Law 46/1993 on the SIS by summoning and questioning SIS agents as these agents had not been previously relieved of the vow of silence." It comments on this by stating that the present legal norm requires the SIS agents, like the OKO members, to keep silent about facts they learned in connection with the work of the SIS. This legal norm does not require, however, the OKO to satisfy any conditions in the instance that a SIS agent testifies before the OKO without being relieved of the vow of silence, particularly if it provides information needed to prevent illegal activity as it is presumed in the aforementioned law in Article 2 Section 5. The fact that the testimony of a SIS agent resulted in the prevention of the illegal activity of the SIS is evidenced also by the resignation of the SIS leadership, which is mentioned in the report, that took place immediately after the OKO for the SIS control information was verified on 13 February 1995.

5) condemns the groundless endeavor by Michal Kovac, president of the Slovak Republic, to criminalize Vladimir Meciar, prime minister of the Slovak Republic, and members of the NRSR OKO for supervising the activity of the SIS in connection with the performance of their duties and activities in implementing the law on the SIS,

6) declares that the Slovak president's assertions that HZDS Chairman Vladimir Meciar was, and is, building parallel illegal intelligence structures not only against the president, but also against other persons, are groundless, unverified, and offensive. Should the president of the Slovak Republic be in possession of evidence of this

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activity, he can use his powers as a constitutional official or citizen of the Slovak Republic. The same applies to the Slovak president's claim, I quote: "I am convinced that the HZDS chairman has been and is playing the so-called intelligence game even among constitutional representatives."

Conclusions: On the basis of the results of its activity in the period from 5 November 1994 to 3 May 1995, the OKO for supervising the SIS

1. Recommends to the NRSR:

a) to charge the NRSR OKO with investigating the activity of the FIS in Slovakia from 1 January 1991 to 1 January 1993,

b) to charge the NRSR OKO with investigating the activity of the Club of the Leninist Spark, which was active in Slovakia between 1987 and 1989.

2. States that:

a) the violation by the SIS has been proven of legal provisions regarding the administration of state budget funds, particularly Law No. 263 of 1993 on the Acquisition of Goods, Services, and Public Works in the wording of subsequent amendments; NRSR Law No. 567 of 1992 on Budgetary Rules in the wording of subsequent amendments; and Finance Ministry Decree No. 638 of 1992 on the Management of Budget Funds and the Management of Budget-Funded and Subsidized Organizations. Some cases lay grounds for suspicion of criminal activity,

b) it has been proven that, in its operative activities, the SIS overstepped Law No. 46 of 1993 on the SIS by acting against constitutional officials and political parties and their representatives,

c) it has been proven that the president of the Slovak Republic was continuously informed about SIS activities that overstepped the law by acting against political parties and their representatives,

d) all facts presented by the prime minister of the Slovak Republic in his [5 April 1995] speech on the amendment to NRSR Law No. 46 of 1993 on the SIS have been confirmed and documented,

e) despite all efforts, the OKO has not obtained any information that would confirm the truthfulness of the Slovak president's [6 April 1995] speech, which was presented to the NRSR by [head of Presidential Office] Jan Findra.

Esteemed Chairman, esteemed NRSR, esteemed government, this was the wording of the OKO report as approved by the OKO on 3 May 1995.

Kovac Addresses Council on OKO Report

LD1105223195 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1507 GMT 11 May 95

[Speech by President Michal Kovac to the Slovak National Council in Bratislava—live]

[FBIS Translated Excerpt] On that day I asked the National Council chairman to send me a report and the resolution adopted by parliament. [opening sentence as heard] I asked him to send me a transcript as soon as it was finished. I have to say that I have not received any of the documents in the six days since I asked for them. Therefore, I am responding to the report of the Special Control Body [OKO] according to the transcripts published in the daily press. [passage omitted]

I understand why the report prepared by the OKO that was presented to parliament on 5 May 1995 and the debate about it were close to being public even after the real names were substituted for the code names. Those who presented the report and those who instigated the subsequent resolution needed to obscure from citizens the fact that the report contained no concrete or legally relevant proofs confirming that allegedly illegal procedures had been carried out with the knowledge of the president or that the president had been informed about the allegedly illegally obtained information. [passage omitted]

Let us have a look at another aspect. From the last information given to me—in line with the law—by Vladimir Mitro, former director of the SIS [Slovak Information Service], I know that Mr. Ivan Lexa [deputy for the Movement for a Democratic Slovakia, HZDS] invited the SIS members into the HZDS headquarters at Tomasikova Street for their interviews. This, for instance, happened on 23 March 1995. I have a report on this event; the report is available. Members of parliament, does it remind you of the interrogations of the so-called conspiracy center that were carried out at the headquarters of the KSC [Communist Party of Czechoslovakia] in the fifties? Has it occurred to you that, if you do not want to know the truth about this control body, that you may become its victim one day? [passage omitted]

The intentions of the report in question are also made clear by another fact. During questioning on 23 March 1995, the OKO chairman at that time asked the SIS officer who was being questioned about my activities in the London branch of the Zivnobanka bank in the 1967-69 period. The questioning about these facts was totally beyond the OKO's powers. [passage omitted]

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Esteemed National Council, the fact that the case of the Slovak president's son was unnaturally included in this report confirms that the report is merely following certain aims.

I can assure you that I have never taken any steps anywhere to ruin the investigation. On the contrary, I am interested in having the case investigated speedily and thoroughly. I am convinced that my son has not committed any crime. [applause]

Members of parliament, you have heard my statement, including many facts that are supported by proofs available to you. None of the allegations made in the report has been proved. I assure you and all the citizens of Slovakia that I did not know about the SIS breaching the law and that I do not trust any of these unproved allegations about this breach of law.

I have carried out my duty in line with the Constitution, and I will continue to do so while respecting both the law and the rules of human decency to the full. I urge you to do the same. I remind you that truth, law, and justice have always meant more than a blind party discipline.

Esteemed National Council of the Slovak Republic, it is impossible for me not to touch in my address upon some political connections and circumstances that are linked to the OKO's report. I do not have the slightest doubt that the report is only one of the stones of the present rich mosaic of various attacks against me as the president of the Slovak Republic. These have been launched against me for the last two years with a varying intensity and intensified after the session of the National Council of the Slovak Republic in March of last year and still further after the early parliamentary elections. This campaign against me is in progress despite my well-known reconciliation gesture.

The substance of the dispute—and I would like to emphasize this strongly—is not personal relations between me and Prime Minister Vladimir Meciar. It is true that they play a certain role, but it is certainly only a secondary one to that of differences of views about the character and style of politics suitable for a parliamentary democracy and for a free, open society in general. This question plays an important role in Slovak political life, not only because we are a young democracy but also because we are a young independent state.

For both reasons, it is extremely important what political style we adopt, to what extent and whether at all the generally recognized rules of democracy are applied in our country and whether we develop the spirit of the rule of law in our state based on respect for the Constitution and for all of jurisprudence. It is also important whether we are capable of basing our policy on a wide-ranging social consensus and agreement on the most fundamental issues of our social and state life. These thoughts are not academic ones. They are very real and, at present, are increasingly pressing questions linked to the almost perennial problems of our political life.

I was and continue to be deeply convinced that the government's raison d'etre should not be its everyday struggle for bare survival. Such a government is incapable of being effective and governing the state.

I would like to assure you once again that it was only because I was worried about our country and our state that I have repeatedly asked the prime minister to form a government with a sufficiently wide-ranging and reliable majority in the parliament. The prime minister's response to my proposals—above all, those I put forward in my New Year's address last year—was his growing aversion and even open animosity toward my person, which also spread to some officials of the HZDS and its coalition partner, the Slovak National Party.

Confrontational attitudes came to a head after the March [1994] session of the National Council, during which I attempted, among other things, to clarify the reasons for the tension between the prime minister and me.

However, from this platform I must once again refute categorically all accusations of instigating some sort of a parliamentary putsch. Not only are such statements groundless, with no link to the reality, but they also testify to ignorance and even more likely to the intentional failure to observe the elementary political rules of parliamentary democracy.

March 1994 meant nothing, more or less, than that the parliamentary majority legally and legitimately passed the vote of no confidence in the prime minister. This shift of political power between the government and the opposition then was caused, by and large, by the internal crisis and, subsequently, by the differentiation inside the coalition. Yes, this is the truth about the change in government in March 1994. [passage omitted]

Members of parliament, I do not have to remind you of the hostile attacks on the president that followed the change of government in March 1994. These attacks fit the mosaic of the purposeful and uncivilized antipresidential campaign. The fanaticism of this campaign is stunning, as it ignores two other serious political aspects in addition to the real reasons for the change of government that I have already mentioned.

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submitted to Director Orol for signing, who usually, I quote: "Scratched it through and wrote that it needs to be rewritten." According to this testimony, these transcripts were then used, for instance, as final reports of the SIS agents.

The OKO also determined violations of the Law on Employment of Police Corps Officers. Thus, the former counterintelligence director, for instance, was recalled from the post and transferred to another job. In this instance, the legal requirements have not been satisfied, and, moreover, prior to the announcement of the transfer, he was several times rewarded, even financially. The justification of the recall did not contain any legitimate reasons as specified by law.

Within the framework of its activity, the OKO came across a strictly classified order of the FIS [Federal Security Information Service] director, No. 83 of 20 May 1992. This goal of this order is evidently to cover the FIS activity that was executed beyond the limits of law against political parties and their representatives, and particularly against the most likely victor of the 1992 parliamentary election in Slovakia, the HZDS. As the order reads, because of the realistic possibility of the victory of nondemocratic forces and the danger of the possible nondemocratic development in Slovakia following the elections on 5 and 6 June 1992, the FIS director orders:

—to collect and submit files, diskettes, registry cards, and other material regarding the operation of the 1st Section of the 1st Department prepared after 1 January 1991,

—to collect documentation of the 3d Section prepared after 1 January 1991 that could be used to discredit the activity and interests of the FIS,

—to scrap registered note books issued after 1 January 1991 if they contain entries that could be used to discredit the activity and interests of the FIS,

—to dispatch classified and secret files kept after 1 January 1991 and start new ones as of 1 June 1992,

—irretrievably delete from all magnetic media all data suitable for discrediting the activity and interests of the FIS, destroy or dispatch all material that is not classified or secret but discloses the interests of the FIS,

—to dispatch to a predetermined place all personal material of the FIS staff, or former FIS staff, or personnel trained for FIS work,

—to dispatch to a predetermined place all cover documents of the 6th and 7th Sections of the FIS.

Other findings also corroborate the systematic character of the FIS work. Following the fall of the government of Vladimir Meciar in March 1994, the SIS recruited two officers in legalization from circles close to the HZDS with the code names Kubik and Novak. The control officer, who cajoled them into this work, specified their range of operation. For those uninitiated, it may be necessary to point out that the range of operation of an SIS agent is one of the documents included in the personal file of the SIS agent. Hence, it is an official document that defines the scope of activities of that agent. The content of these documents filed in the personal material of these agents clearly demonstrates how far the SIS went in the illegal activity. The officers in legalization registered under the numbers 205060 and 205061 were assigned the following scope of activities that goes beyond the law on the SIS:

—off-duty contacts of the SIS staffers with the ruling and the opposition parties,

—political parties and movements,

—activity of the shadow government,

—extracurricular activity of deputies,

—extragovernmental activity of government officials.

Within a few months, these officers in legalization were paid several hundred thousand korunas. The size of the remuneration indicates that the value of information provided by these SIS officers on the HZDS was not insignificant.

Under these circumstances, it cannot come as a surprise that—as confirmed by one of the participants—at an official action involving a foreign delegation that took place right after the change of governments in March 1994, a foreign intelligence officer congratulated Counterintelligence Director Cesnak on the best SIS intelligence action in its short history and referred to the new government as Cesnak's government. It is a tragedy of Slovakia that Counterintelligence Director Cesnak gave the main role in this intelligence supergame to the president of the Slovak Republic. Regarding this situation in the SIS, on 13 February 1995, shortly after most of the allegations about the activities of the SIS were proved, the OKO for the SIS control accepted the resignation of the entire SIS top brass. This resignation was a logical result of the illegal activities of the SIS and its management. According to statements made by the agents earlier, instructions were issued even earlier on the liquidation of all documents and media regarding the activity of the SIS aimed against the HZDS. The scrapping was so extensive that even such documents, the existence of which was confirmed by former Director Mitro at the news conference on 6 April 1995 saying that he had studied in detail the documents regarding the visit to London by the NRSR chairman, could not

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be found. The intelligence director confirmed this to the OKO in writing after he was relieved of his vow of silence. The then SIS statutory representative testified that Mr. Mitro was not relieved of the vow of silence prior to the aforementioned news conference. Here, it must be pointed out that private persons cannot provide statements on SIS activities to the media because the fundamental conditions requiring one to be relieved of the vow of silence would not be satisfied. For the NRSR, the OKO assessed this act by Mr. Mitro as a transgression of Law 46/1993 on the SIS and Law 102/1971 on state secrets.

The intelligence games played by the SIS leadership knew no limits. The height of arrogance and further proof of the illegal activities of the SIS is the testimonies of its agents that refers to the objective and work of the SIS on processing OKO members. A high-ranking SIS officer, Sokol, confided to his subordinates his plan for securing funds and purchasing information from one of the deputies, a member of the OKO. For this purpose, a remuneration of Sk10,000 would be collected on a fake file. (Laghter in the room)

A deputy: Just one decent dinner.

I. Urban: It has been determined that the SIS agents had information regarding the suspicion of illegal activity by the son of the president of the Slovak Republic and facts indicating that a high-ranking official of the Slovak Police Corps attempted to hinder the progress of investigation and leave the name of Michal Kovac out of the inquiry into the fraud against the firm Technopol Co.

The OKO decided in its session on 28 March 1995 to inform the NRSR, the Office of the Prosecutor General, and the Government of the Slovak Republic about the ascertained facts, which it classified as a suspicion of the violation of NRSR Law 46/1993 on the SIS according to Article 5 Section 4 of this law. The control body tasked its chairman with immediately informing the Government of the Slovak Republic of the resolved extent. At the same time, it adopted a decision that the NRSR and the Office of the Prosecutor General of the Slovak Republic would be informed about the drafting of the report by the OKO for the SIS control, which would be presented at the 7th session of the NRSR. The OKO proposed to discuss this report as a separate item on the agenda of the National Council session.

In its session on 25 April 1995, the OKO for the SIS control dealt with the stand by Slovak President Michal Kovac on the speech by Slovak Prime Minister Vladimir Meciar regarding the bill on the SIS. The OKO analyzed the president's stand in detail, and adopted the following resolution:

For the purpose of the SIS control, the OKO

1) acknowledges the stand by the president of the Slovak Republic regarding the facts ascertained by the OKO and delivered by the prime minister of the Slovak Republic,

2) confirms all facts mentioned by Slovak Prime Minister Vladimir Meciar regarding the activities of the SIS,

3) finds

a) questioning the OKO findings and claiming that they are only speculations of the Slovak prime minister, and desinformation, aims at casting doubts on the work and results of the OKO, which was established by the NRSR for the SIS control,

b) the president of the Slovak Republic was aware of the illegal activity of the SIS, and the results of this activity were available to him,

4) strongly protests against the part of the stand by the Slovak president, which states, I quote: "The OKO members grossly violated NRSR Law 46/1993 on the SIS by summoning and questioning SIS agents as these agents had not been previously relieved of the vow of silence." It comments on this by stating that the present legal norm requires the SIS agents, like the OKO members, to keep silent about facts they learned in connection with the work of the SIS. This legal norm does not require, however, the OKO to satisfy any conditions in the instance that a SIS agent testifies before the OKO without being relieved of the vow of silence, particularly if it provides information needed to prevent illegal activity as it is presumed in the aforementioned law in Article 2 Section 5. The fact that the testimony of a SIS agent resulted in the prevention of the illegal activity of the SIS is evidenced also by the resignation of the SIS leadership, which is mentioned in the report, that took place immediately after the OKO for the SIS control information was verified on 13 February 1995.

5) condemns the groundless endeavor by Michal Kovac, president of the Slovak Republic, to criminalize Vladimir Meciar, prime minister of the Slovak Republic, and members of the NRSR OKO for supervising the activity of the SIS in connection with the performance of their duties and activities in implementing the law on the SIS,

6) declares that the Slovak president's assertions that HZDS Chairman Vladimir Meciar was, and is, building parallel illegal intelligence structures not only against the president, but also against other persons, are groundless, unverified, and offensive. Should the president of the Slovak Republic be in possession of evidence of this

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activity, he can use his powers as a constitutional official or citizen of the Slovak Republic. The same applies to the Slovak president's claim, I quote: "I am convinced that the HZDS chairman has been and is playing the so-called intelligence game even among constitutional representatives."

Conclusions: On the basis of the results of its activity in the period from 5 November 1994 to 3 May 1995, the OKO for supervising the SIS

1. Recommends to the NRSR:

a) to charge the NRSR OKO with investigating the activity of the FIS in Slovakia from 1 January 1991 to 1 January 1993,

b) to charge the NRSR OKO with investigating the activity of the Club of the Leninist Spark, which was active in Slovakia between 1987 and 1989.

2. States that:

a) the violation by the SIS has been proven of legal provisions regarding the administration of state budget funds, particularly Law No. 263 of 1993 on the Acquisition of Goods, Services, and Public Works in the wording of subsequent amendments; NRSR Law No. 567 of 1992 on Budgetary Rules in the wording of subsequent amendments; and Finance Ministry Decree No. 638 of 1992 on the Management of Budget Funds and the Management of Budget-Funded and Subsidized Organizations. Some cases lay grounds for suspicion of criminal activity,

b) it has been proven that, in its operative activities, the SIS overstepped Law No. 46 of 1993 on the SIS by acting against constitutional officials and political parties and their representatives,

c) it has been proven that the president of the Slovak Republic was continuously informed about SIS activities that overstepped the law by acting against political parties and their representatives,

d) all facts presented by the prime minister of the Slovak Republic in his [5 April 1995] speech on the amendment to NRSR Law No. 46 of 1993 on the SIS have been confirmed and documented,

e) despite all efforts, the OKO has not obtained any information that would confirm the truthfulness of the Slovak president's [6 April 1995] speech, which was presented to the NRSR by [head of Presidential Office] Jan Findra.

Esteemed Chairman, esteemed NRSR, esteemed government, this was the wording of the OKO report as approved by the OKO on 3 May 1995.

Kovac Addresses Council on OKO Report

LD1105223195 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1507 GMT 11 May 95

[Speech by President Michal Kovac to the Slovak National Council in Bratislava—live]

[FBIS Translated Excerpt] On that day I asked the National Council chairman to send me a report and the resolution adopted by parliament. [opening sentence as heard] I asked him to send me a transcript as soon as it was finished. I have to say that I have not received any of the documents in the six days since I asked for them. Therefore, I am responding to the report of the Special Control Body [OKO] according to the transcripts published in the daily press. [passage omitted]

I understand why the report prepared by the OKO that was presented to parliament on 5 May 1995 and the debate about it were close to being public even after the real names were substituted for the code names. Those who presented the report and those who instigated the subsequent resolution needed to obscure from citizens the fact that the report contained no concrete or legally relevant proofs confirming that allegedly illegal procedures had been carried out with the knowledge of the president or that the president had been informed about the allegedly illegally obtained information. [passage omitted]

Let us have a look at another aspect. From the last information given to me—in line with the law—by Vladimir Mitro, former director of the SIS [Slovak Information Service], I know that Mr. Ivan Lexa [deputy for the Movement for a Democratic Slovakia, HZDS] invited the SIS members into the HZDS headquarters at Tomasikova Street for their interviews. This, for instance, happened on 23 March 1995. I have a report on this event; the report is available. Members of parliament, does it remind you of the interrogations of the so-called conspiracy center that were carried out at the headquarters of the KSC [Communist Party of Czechoslovakia] in the fifties? Has it occurred to you that, if you do not want to know the truth about this control body, that you may become its victim one day? [passage omitted]

The intentions of the report in question are also made clear by another fact. During questioning on 23 March 1995, the OKO chairman at that time asked the SIS officer who was being questioned about my activities in the London branch of the Zivnobanka bank in the 1967-69 period. The questioning about these facts was totally beyond the OKO's powers. [passage omitted]

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Esteemed National Council, the fact that the case of the Slovak president's son was unnaturally included in this report confirms that the report is merely following certain aims.

I can assure you that I have never taken any steps anywhere to ruin the investigation. On the contrary, I am interested in having the case investigated speedily and thoroughly. I am convinced that my son has not committed any crime. [applause]

Members of parliament, you have heard my statement, including many facts that are supported by proofs available to you. None of the allegations made in the report has been proved. I assure you and all the citizens of Slovakia that I did not know about the SIS breaching the law and that I do not trust any of these unproved allegations about this breach of law.

I have carried out my duty in line with the Constitution, and I will continue to do so while respecting both the law and the rules of human decency to the full. I urge you to do the same. I remind you that truth, law, and justice have always meant more than a blind party discipline.

Esteemed National Council of the Slovak Republic, it is impossible for me not to touch in my address upon some political connections and circumstances that are linked to the OKO's report. I do not have the slightest doubt that the report is only one of the stones of the present rich mosaic of various attacks against me as the president of the Slovak Republic. These have been launched against me for the last two years with a varying intensity and intensified after the session of the National Council of the Slovak Republic in March of last year and still further after the early parliamentary elections. This campaign against me is in progress despite my well-known reconciliation gesture.

The substance of the dispute—and I would like to emphasize this strongly—is not personal relations between me and Prime Minister Vladimir Meciar. It is true that they play a certain role, but it is certainly only a secondary one to that of differences of views about the character and style of politics suitable for a parliamentary democracy and for a free, open society in general. This question plays an important role in Slovak political life, not only because we are a young democracy but also because we are a young independent state.

For both reasons, it is extremely important what political style we adopt, to what extent and whether at all the generally recognized rules of democracy are applied in our country and whether we develop the spirit of the rule of law in our state based on respect for the Constitution and for all of jurisprudence. It is also important whether we are capable of basing our policy on a wide-ranging social consensus and agreement on the most fundamental issues of our social and state life. These thoughts are not academic ones. They are very real and, at present, are increasingly pressing questions linked to the almost perennial problems of our political life.

I was and continue to be deeply convinced that the government's raison d'etre should not be its everyday struggle for bare survival. Such a government is incapable of being effective and governing the state.

I would like to assure you once again that it was only because I was worried about our country and our state that I have repeatedly asked the prime minister to form a government with a sufficiently wide-ranging and reliable majority in the parliament. The prime minister's response to my proposals—above all, those I put forward in my New Year's address last year—was his growing aversion and even open animosity toward my person, which also spread to some officials of the HZDS and its coalition partner, the Slovak National Party.

Confrontational attitudes came to a head after the March [1994] session of the National Council, during which I attempted, among other things, to clarify the reasons for the tension between the prime minister and me.

However, from this platform I must once again refute categorically all accusations of instigating some sort of a parliamentary putsch. Not only are such statements groundless, with no link to the reality, but they also testify to ignorance and even more likely to the intentional failure to observe the elementary political rules of parliamentary democracy.

March 1994 meant nothing, more or less, than that the parliamentary majority legally and legitimately passed the vote of no confidence in the prime minister. This shift of political power between the government and the opposition then was caused, by and large, by the internal crisis and, subsequently, by the differentiation inside the coalition. Yes, this is the truth about the change in government in March 1994. [passage omitted]

Members of parliament, I do not have to remind you of the hostile attacks on the president that followed the change of government in March 1994. These attacks fit the mosaic of the purposeful and uncivilized antipresidential campaign. The fanaticism of this campaign is stunning, as it ignores two other serious political aspects in addition to the real reasons for the change of government that I have already mentioned.

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First, Slovakia had a chance to gain short-lived—yet for our political system, worthy—experience in building a wide coalition that previously appeared to be unrealistic.

Second, the change in government provided for the agreement on the early parliamentary elections. Citizens themselves have decided who was to represent them in the supreme body of the country.

I am aware that some deputies will not agree with my view, but I have to emphasize that the elections were, above all, about the composition of a new parliament. The vote cast in them was not about a new government. This is best proved by the results of the elections and the rather long talks about the composition of the new cabinet. The results of the elections merely confirmed my deep conviction, which I arrived at as early as in the first year of our independent state existence—that is, that Slovakia wants and needs a coalition government backed by a reliable parliamentary majority.

Following certain unexpected outcomes of the coalition talks, such a government was formed in December last year. Not only did I appoint it, but I also welcomed it, trusting that it would fully concentrate on tackling pressing problems and tasks facing our society undergoing a transformation. I kept hoping for this for a long time, despite the doubts and alarm I felt following the infamous November night at the parliament.

I do not want to speak about the attitude adopted in the last few months by the government and the parliamentary majority toward the president and his office, though it is a unique attitude among civilized democratic countries unmatched anywhere in the world.

I am much more alarmed by the way the current government and its parliamentary majority exercise power in the sphere of state administration and public life.

Esteemed members of parliament, at this time of great significance for the future of our country and our state, for the future of all its citizens, I would like to make an appeal, possibly a plea as well: Let us come to our senses before it is too late!

Let us put an end to constant attacks and confrontations. Let us look for a way toward real understanding. Let us strive to create a peaceful and stable working atmosphere that will have a beneficial effect on our entire society! [applause]

Truth and decency must prevail over lies, dishonesty, and arrogance. I would like to assure you and all the citizens of Slovakia that, as far as I am concerned, nobody and nothing will break me. I will firmly stand on the side of truth, justice, and law. I will defend the right of every citizen to a decent life in truth and freedom. Thank you for your attention. [applause]

HZDS Calls on Kovac After Speech To Resign

LD1105174095 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1630 GMT 11 May 95

[FBIS Translated Text] Shortly before our "Radiozurnal" went on the air, we received a statement by the Movement for a Democratic Slovakia [HZDS] on the Slovak president's address at the Slovak parliament.

They consider it to be unworthy of the head of state, as he once again devoted it to his personal problems instead of mentioning the state of affairs in the Slovak Republic at least in a word.

On one side, Michal Kovac quotes the Constitution of the Slovak Republic in his speech, only to contradict himself immediately by denying deputies the right to pass a resolution on a vote of no confidence in him. However, unlike his words, the latter act is based on the Constitution—namely, on Article 86, Paragraph 1, which says that the powers of the National Council include deliberations about fundamental issues of internal policy.

Kovac correctly noted merely the fact that it was our citizens who had decided in the elections. However, the HZDS's statement on the president's 11 May address to the Slovak parliament says the president should be the first one to follow their decision—that is, to resign.

Meciar Discusses 'Crisis of Personality'

LD1105182395 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1630 GMT 11 May 95

[FBIS Translated Excerpt] As we informed you earlier, the daily SLOVENSKA REPUBLIKA organized a sailing trip on the Danube to celebrate the second anniversary of its opening, which also involved a news conference with Slovak Prime Minister Vladimir Meciar. Our correspondent Bernard Hornak returned from the pleasure boat Druzba a short while ago bringing this information:

[Begin recording] [Hornak] First, Prime Minister Meciar responded to the decision of the Czech Government, which tasked its prime minister, Vaclav Klaus, with sending a letter to the Slovak prime minister suggesting the abolition of the temporary payments agreement between the two countries by 1 September 1995. [passage omitted]

Prime Minister Meciar was also asked about the situation after the vote of the Slovak parliament in which 80 deputies declared no confidence in the president. Meciar was asked if the crisis between the president and

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the prime minister was over or just started. Meciar gave this answer:

[Meciar] I am afraid the crisis is just starting. President Nixon surely never fixed the bugging devices in the offices of other parties. However, how can the president cooperate with a parliament with a majority that has no confidence in him? How can he cooperate with Slovak ministers who were shadowed? What kind of relationship can he have with me and with parliament Chairman Gasparovic when we know that information about us ended at his desk.

So far I have learned the names of four officers who were ordered in 1992 to follow me and socially degrade me. When I asked the president to declare in parliament that he had nothing to do with it, we gave the president a chance to distance himself from the matter. Instead, the president accused me of suggesting that I had my own intelligence service and played spying games.

I think this is moral mud that has to be swept out of society. Using secret services against political parties that hold different views is not fair, especially if only the people from the Movement for a Democratic Slovakia [HZDS] were followed. Even the Hungarian irredentists were not followed.

I assume that the president will use his usual method and will come up with a bombastic declaration pretending to give the people a different alternative explanation. I regret to say that the crisis in March 1994 was debated at the castle the day after the president took office. Slovakia does not need any more political upheavals.

Regardless of the feelings of guilt, and in the interest of bringing people and political parties together, the president should step down. This is a crisis of personality and not a crisis of the presidential post. A new president will be elected in a few days, and life will go on. [end recording]

Opposition Parties Praise President's Speech

LD1105224395 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1930 GMT 11 May 95

[FBIS Translated Text] Peter Weiss, the chairman of the Party of the Democratic Left, said that the Slovak president's address in parliament on 11 May was positive, describing it as an expression of the effort to create the atmosphere of consensus and as an appeal to all political parties.

The president's speech was considered positive by Coexistence Chairman Miklos Duray and Pal Csaky, the chairman of the Hungarian Christian Democratic Movement.

Jaroslav Volf, the chairman of the Social Democratic Party of Slovakia said that Michal Kovac's address showed that there was no doubt that the report by the Special Control Body was a fabricated document of poor arguments and legally doubtful.

Further Opposition Reaction

AU1105161295

[FBIS Editorial Report] Slovak newspapers of 6, 8, and 9 May publish a number of statements by opposition parties and leading opposition representatives made in reaction to the "secret report" by the special parliamentary body for supervising the Slovak Information Service (SIS), presented at a closed meeting of parliament on 5 May, and to the subsequent passage of a parliamentary motion of no-confidence in President Kovac. The statements emphasize the "untrustworthiness" of the report and the "unconstitutional" nature and legal irrelevance of the parliamentary motion. The Party of the Democratic Left (SDL) statement warns against "the beginning of political trials," while the Democratic Party's statement accuses the initiators of the no-confidence vote of using "Goebbelsian methods."

Bratislava SME in Slovak on 6 May on page 5 carries the following "excerpt" from a statement issued by the Democratic Union (DU): "The secret report, presented under extraordinary measures, did not back with facts and factual evidence even one of the claims publicly raised by Prime Minister Vladimir Meciar about alleged unlawful SIS activities. The course of deliberations on this matter was manipulated and the law on the parliamentary rules of procedure was repeatedly violated. The conclusion of the report was oriented toward a previously prepared resolution directed, first and foremost, against the president of the Slovak Republic. The DU Club of Deputies and the DU Political Committee sharply protest against this conclusion. The vote of no-confidence in the president by the coalition group of deputies was taken without any actual justification and is at variance with the opinion of the majority of citizens of the Slovak Republic. We stress that the president of the Slovak Republic enjoys our full trust and support. We regard the entire course of the meeting and the resolution adopted by the present parliamentary majority as unlawful, undignified, shameful, and as activity directed against democracy and against the Slovak Republic."

On the same page, SME also publishes an "excerpt" from a statement issued by the SDL Presidium. It reads: "The SDL Presidium qualifies the report by the Special Supervisory Body [OKO] as unprofessionally prepared and containing untrustworthy claims. The untrustworthiness of the report is rooted in the very fact that it was drawn up by a National Council of

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the Slovak Republic [NRSR] supervisory body that is made up solely of government coalition deputies. The resolution adopted on the merely read OKO report is very dangerous because members of parliament did not have the opportunity to verify the serious accusations contained in it on the basis of trustworthy documents. The SDL protests against the normal verification of submitted assertions having been supplanted by voting. This course of action could mean the beginning of political trials. The SDL Presidium notes with alarm that the government coalition adopted an NRSR resolution expressing no-confidence in the president of the Slovak Republic that has no backing in the Constitution. We regret that, instead of Slovakia's substantive problems being addressed, a conflict between two constitutional officials is being dealt with by means of the strength of parliamentary votes."

On the same page, SME also publishes a 700-word interview with SDL Chairman Peter Weiss by Jana Pankovcinova and Juraj Hrabko entitled "The NRSR Resolution Has Destabilized the Entire Constitutional System." In the interview, the place and date of which are not given, Weiss says about the 5 May resolution of parliament: "The adoption of the resolution that had been proposed by Vitazoslav Moric has actually destabilized the entire constitutional system. Deputies cannot very well collectively violate a constitution for which they had voted and which each of them, on being sworn in as deputy, pledged to observe, together with other laws. The carelessness with which the NRSR chairman, who is a professor of criminal law, had a vote taken on some matters astonished me. It would have been the chairman's duty, at the very least, to point out that the draft of the resolution was unconstitutional or at variance with some laws."

In an interview with SME reporters published on the same page, Mikulas Dzurinda, Christian Democratic Movement (KDH) deputy chairman, says that the "secret report" on the SIS was "even more obscure, embarrassing, and vague" than Prime Minister Meciar's 5 April speech to parliament that it was supposed to uphold, and that it "did not speak about a single specific operation that would be directed against the interests of the Slovak Republic and its security and that would jeopardize the stability of the government or its ability to function or the personal freedom of the prime minister."

Bratislava SME in Slovak on 8 May on page 2 carries a 150-word TASR report on a statement issued by the Democratic Party. The statement reads: "The fact that a deputy who is proud of President Tiso moved that a vote of no-confidence be passed in President Kovac is characteristic of the quality of those who distrust the president. Once again, the parliamentary majority issued a report card on its own poverty of spirit and lack of decency. It did so on the eve of a historic anniversary, with the full awareness that it is seriously damaging its image (if there is still anything that can be damaged!), but, above all, the image of a country that is heading toward Europe, a Europe that has no respect for unconstitutionality, Goebbelsian methods, and those who are proud of war criminals."

Bratislava SME in Slovak on 8 May on page 2 carries a 200-word TASR report on a statement adopted by the Christian Democratic Youth of Slovakia at its congress in Bratislava on 7 May. The statement, issued in response to the "unconstitutional attempt to liquidate the president of the Slovak Republic," expresses the "determination" of young Christian Democrats to "resist the emerging totalitarian regime" and calls for "open protest."

On the same day, on page 3, SME carries a 400-word statement by the Standing Conference of the Civic Institute (SKOI). The statement qualifies the "OKO report and the manner in which it was presented to parliament" as a "staged political farce." It points out that the OKO report "presented unfounded assertions and conjectures as facts," without furnishing a single piece of evidence, and that the subsequent "outrageous" no-confidence motion "has no backing in the Constitution, is completely irrelevant in a law-governed state, and serves only wicked political aims."

Bratislava NARODNA OBRODA in Slovak on 8 May on page 2 carries a 200-word TASR report on the "KDH Council Statement on the Domestic Political Situation in Slovakia" adopted in Bratislava on 7 May. The statement says that "80 government coalition deputies adopted in parliament an anticonstitutional resolution on the expression of no-confidence in Slovak President Michal Kovac. This step undermines the constitutional foundations of the Slovak Republic and subverts Slovak statehood. The KDH is determined to defend democracy in Slovakia with all its might and to prevent this subversion [rozvrat]. The KDH Council draws attention to the fact that at a time when the Slovak Republic is going through a process of transformation and when its population is exposed to many existential problems, the government coalition, instead of addressing these problems, is producing scandals, thereby diverting the population's attention away from its own inability to address these problems." The statement also "recommends to KDH deputies and functionaries to step up their resistance to the rule of the present coalition."

Bratislava PRAVDA in Slovak on 9 May on page 2 carries a 300-word interview with KDH Deputy

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Chairman Ivan Simko by Martin Krno entitled "They Picked Up the War Hatchet." In the interview, the place and date of which are not given, Simko is asked to clarify the meaning of the KDH Council statement of 7 May. Simko says that, until now, the KDH strove to find consensus in parliament and to conduct a dialogue with the coalition parties. However, "Friday [5 May], when the government coalition deputies passed an unconstitutional resolution and seriously destabilized the situation in Slovakia, was the proverbial last straw. The KDH does not see a chance of the war hatchet, which Mr. Meciar dug up a long time ago, being buried again. We have therefore simply picked it up." Simko admits that, until recently, the KDH was thinking of negotiating with the Movement for a Democratic Slovakia (HZDS) about the conditions under which the KDH would support a HZDS minority government. Following the 5 May meeting of parliament, however, "these speculations have become irrelevant," Simko says. He also specifies that the term "resistance" used in the KDH Council statement refers solely to "forms of resistance that are in conformity with the Constitution."

Bratislava PRAVDA in Slovak on 9 May on page 7 carries a 500-word interview with Eduard Barany, former member of the parliamentary body for supervising the SIS, by Rado Stevcik entitled "OKO Overstepped Its Authority." The place and date of the interview are not given. Asked to assess the impact of the publication of the secret report on the SIS and on Slovakia, Barany says:

"The consequences of this report for the SIS will take long years to be redressed. The publishing of the report has made the intelligence service an unreliable service, which will make itself felt in its opportunities to win collaborators at home and abroad. The SIS will recruit worse collaborators for more money. Regardless of whether the report is, or is not, true, also Slovakia's position abroad will suffer. The report is a clear sign that one of the basic bodies of state power, the SIS, is in complete disarray. This itself seriously damages the interests of the country. Thinking that such a report will remain secret after it is read in parliament is an unforgivable illusion. Once 150 people know the report, it would have been a miracle if other people interested in the report did not learn about it. The less it is known that such pathetic documents are produced at the top levels of this state, the better for the country. This is why it should have remained secret. Personally, I do not believe that the authors of the report had any illusions about the report remaining secret for long."

Meciar on Division of Federal Assets, Klaus

LD0805123495 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1000 GMT 8 May 95

[FBIS Translated Excerpt] The decision of the Czech Government to start the preparations for a one-sided withdrawal from the payments agreement with the Slovak Republic increased the number of unsettled matters between the two countries. Perpetual delays are complicating the situation both on the state level and the local level, as towns and villages wait for a fair division of federal assets. A great deal of hope is pinned on the meeting between the Czech and Slovak prime ministers, which has been discussed a lot and for quite a long time. That is why our reporter Jarmila Tosecka asked Prime Minister Vladimir Meciar the following question.

[Begin recording] [Tosecka] Is there any date set for the meeting between the two prime ministers? From February this date is being moved although previously it looked as if Czech Prime Minister Klaus could not wait for the formation of the new Slovak Government because he had nothing to talk about with Jozef Moravcik's cabinet. Is the date in the second half of May realistic?

[Meciar] We have not spoken about the date yet. Last week we exchanged several letters with Prime Minister Klaus. At the same time we agreed that we would not comment on certain issues, not to increase the tension on both sides unnecessarily.

We also agreed that prior to our talks, Klaus' plenipotentiary, Jiri Weigel, would meet Jozef Sestak, the state secretary at the Ministry for Foreign Affairs. This meeting should take place in Slovakia. If they lay reasonable foundations for the talks then we will start thinking about the content and subsequently about the date of the meeting.

Understandably the meeting with Prime Minister Klaus is not only a personal event expressing mutual respect but it also represents the situation on the Czech and Slovak side. The situation was most unfortunately affected by the statements of Czech President Vaclav Havel [who expressed concern about the state of Slovak

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democracy during his meeting with Slovak President Michal Kovac]. These statements interfered with the domestic situation in Slovakia and cast doubt on its good name at home and abroad. The prime minister has to react to that.

Other undesirable elements are some measures in practical policy, which lead to having no meeting as soon as the new government was formed. Both Prime Minister Klaus and I wanted it but there were some people who had a different opinion. The delays are causing new problems.

I see Prime Minister Klaus as a person who guarantees seriousness and willingness to build Czech and Slovak relations on mutual respect and prosperity. On the other hand there are some people who want to show us or at least prove to us that they are better and more beautiful. [sentence as heard] This is no longer fashionable and I hope that they will give up this outdated fashion. [passage omitted]

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Clinton's 'Weak Performance' in Moscow Noted

AU1105134295 Budapest MAGYAR HIRLAP in Hungarian 11 May 95 p 7

[Editorial by Katalin Karcagi: "The Performance Did Not Take Place"]

[FBIS Translated Text] Bill Clinton had prepared for a charming performance in Moscow. He was forced to hide his difficult position, and even had to pretend that Yeltsin is sitting at the negotiating table with a strong and firm partner, a leader who, if smile diplomacy definitely fails, will not recoil even from withdrawing billions in aid to assert his demands that serve international security and the ideals of democracy.

But the U.S. president put on a weak performance. Yeltin started with an advantage because, after some vacillation, his American guest traveled to Moscow after all, even thought it was clear that Russia would not finish its military operation in Chechnya by the Victory Day celebrations and the summit. In vain did Clinton's opposition among the Republicans protest, and several Democrats question the wisdom of Clinton's decision.

Because of the concentrated fire on him, Clinton may have greatly regretted that he had agreed to go, but at that point there was no longer any way to back out. And the allies also fell into line nicely, one after the other: Although reluctantly, they nevertheless accepted the invitation from Moscow, and appeased their consciences by deciding to stay away from the military parade. Nor did they find any special objection to the model of hypocrisy: namely, that the fighting in Chechnya would stop on the day of the splendid festivity.

The fact that even this promise failed to materialize did not disturb the festive moments of remembrance. It seems that at the summit, the U.S. President was content with squeezing a little compromise out of Yeltsin. The world now learned that the Russian-Iranian nuclear deal was not limited to the supply of installations that can strictly be used only for peaceful purposes. Moscow generously renounced the sale of technology suitable for uranium enrichment, but nothing happened regarding the reactors. Similarly, Yeltsin and his entourage did not change anything in their opposition to the idea of expanding NATO toward the East.

Clinton must have thought that he would nevertheless be able to show some result for his home front, and he even refrained from speaking openly about the bloodshed in Chechnya. He can hardly expect appreciation upon his return home.

New Privatization Law, Compensation Notes

AU1105161795 Budapest UJ MAGYARORSZAG in Hungarian 11 May 95 p 7

[Interview with Tamas Suchman, minister without portfolio responsible for privatization, by "vasvari"; place and date not given: "The Exploiters of Compensation—The Privatization Minister Is Satisfied With the Law"]

[FBIS Translated Text] [UJ MAGYARORSZAG] Although much delayed, the privatization law has finally been accepted. In your view, does it meet the expectations that accompanied the legislation?

[Suchman] I believe so because, due to the thorough preparation, we managed to include guaranteeing elements in the law that will serve the correct implementation of privatization, and wider scope will be given to publicity. Several earlier assessments—mostly carried out by the State Auditor General's Office—criticized the former privatization law; the state's assets can now be sold on a different basis. I also attribute much importance to the law because it strengthens our foreign partners' sense of security and confidence. The law regulates the operational order of privatization organizations, and it also defines the structure of the State Privatization and Asset Management Corporation [APVRT]—to be set up in place of the two existing organizations—where the board of directors will be the main decisionmaking forum. I would like to emphasize that the six parliamentary parties will be able to delegate their experts into the supervisory committee and, in accordance with the Interest Coordination Council agreement, the employee and employer sides will also be able to represent themselves. Work is under way on the statutes; and the rules of competition, which will define the practical aspects of the actual transactions, will also soon be completed.

[UJ MAGYARORSZAG] To what extent will the privatization methods be different compared to past practice?

[Suchman] Some are already known from before, but of course we also have new ones. The law contains adequate guarantees; therefore, all techniques serve the correct implementation of privatization. Of course we will have to pay a lot of attention to implementing the guarantees. This is the goal of the rules of competition.

[UJ MAGYARORSZAG] Many arguments have been heard against simplified privatization. What is in favor of it?

[Suchman] Indeed, many people have tried to avoid this technique, mainly because of the role management takes in it. However, it is undoubtedly necessary, precisely because of the intention to speed up privatization. This

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method can speed up privatization of the cheaper and not so important companies, and it also has regional importance because this type is important in a given area or region. I would like to emphasize that, although management has a big role in privatization, this is not without controls. The law also contains adequate stipulations for this method. In the case of companies important to the national economy, it is significant that a list of these companies has to be submitted to the parliament and the parliament also has to be informed of the most important elements of the privatization strategy.

[UJ MAGYARORSZAG] The low price of compensation notes casts a shadow on the positive fact that the law has been accepted. Do you feel personal responsibility for the developments?

[Suchman] I do not accept any responsibility because when I started this job, I confirmed that to the privatization organization and also raised the point, in the government, that the originally compensated people should be given a certain amount of share option in the privatization of major companies. I have said it many times and will again encourage people to wait and not to sell their compensation notes: They should wait until we offer shares exclusively for them from major, highly valued, and well-functioning companies. I must note, though, that we must separate the issue of providing the people originally compensated with real assets from the compensation notes' losing their value.

[UJ MAGYARORSZAG] The previous government kept the price of these notes at 60 percent for a long time. In your view, what price will become stable in the near and more distant future?

[Suchman] It is a well-known fact that a vast amount of compensation notes are held by brokers and profiteers, and it is also true that rather great state intervention would be needed to raise the price of compensation notes. Therefore, I cannot now responsibly say how extensive a financing would be needed to drastically increase the price. However, I would like to guarantee that originally compensated people—and local governments and agricultural cooperatives, too—receive assets on good terms, by swapping for valuable shares.

Romanian-Hungarian Military Exercises Opposed

LD1105133295 Budapest Kossuth Radio Network in Hungarian 1000 GMT 11 May 95

[FBIS Translated Text] The question of whether or not to hold joint Hungarian-Romanian military exercises in the fall has led to a dispute in the Hungarian parliament's Foreign Affairs Committee. Tamas Luigits reports.

[Luigits] Deputies of the Hungarian Democratic Forum [MDF] on the Foreign Affairs Committee did not support the parliamentary resolution that would it make possible for a 50-strong fully armed Hungarian motorized artillery unit to participate in a joint training and drill in Romania; and, following this, a 100-strong Romanian armored unit would take part in a live firing drill in Hungary.

Committee Deputy Chairman Gyorgy Csoti of the MDF, and Miklos Csapodi, his fellow MDF parliamentary floor group member, think it is unnatural to hold joint military exercises when Romanian-Hungarian relations are deteriorating—for which responsibility rests with the Romanian side.

However, Committee Chairman Matyas Eorsi, of the Alliance of Free Democrats, thinks this is precisely why the joint exercises are necessary: Cooperation in specific areas might lead to the establishment of better relations within minority policy.

Socialist deputy Andras Barsony says the military cooperation is not a result of the past eight months. There have been joint military exercises, although not on the ground but in the air—for example in the framework of Open Skies—and experiences have so far been positive. Therefore, nothing would justify unsettling the good relations established in this sphere thus far.

Zsolt Nemeth, deputy of the Federation of Young Democrats-Hungarian Civic Party, stresses that military cooperation should not be suspended, even if relations get much worse than they are now. By maintaining this cooperation we can demonstrate that disputes can be resolved on a political level and that our intentions are peaceful.

In the end the committee supported the draft resolution, with five abstentions and no votes against. Nandor Rott, deputy of the Independent Smallholders' Party, also supported the proposal, despite his objection during the debate.

Expert Views NATO Accession, Neutrality Issues

AU1105151695 Budapest NEPSZABADSAG in Hungarian 10 May 95 p 21

[Article by Karoly Bognar, doctor of military sciences: "NATO: Cheap Solutions Do Not Exist—Without Adequate Guarantees, Neutrality Can Be Violated at Any Time"]

[FBIS Translated Text] As the 26-29 May Budapest session of the North Atlantic Assembly draws near, one can expect an increasing number of articles to be published on NATO in Hungary. The thoughts on

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NATO membership and neutrality published next to each other in NEPSZABADSAG's 5 May issue by an active career diplomat (Istvan Gyarmati) and a retired one (Rezso Banyasz) can be listed among such articles.

The Hungarian public probably still has the image of NATO from the 1950's to the 1970's when the Alliance had more than 5 million soldiers armed to the teeth—equipped with thousands of nuclear warheads, modern armored vehicles, airplanes, artillery shells, and so on—in constant combat readiness. The same was true of the other side, the Warsaw Pact. However, the situation has changed. With the end of the Warsaw Pact and the Soviet Union, with the end of confrontation, NATO's military power was peacefully reduced to half or a third. The role and possible application of nuclear weapons has been completely reassessed. The level of readiness for war and combat readiness was significantly reduced. The vast majority of troops are under national rather than NATO control. Military spending and the rate and amount of armament have been reduced, many development programs have been canceled, and so on. Therefore, NATO is not the same as it was, in political or military terms. This is reflected by the fact that the new tactical concept accepted in Rome on 7-8 November, which takes the place of the former military doctrine, focuses on maintaing peace and stability and the avoiding military conflicts and war, rather than on efficiently preparing for and successfully fighting a war. Preparation for a possible war is not left out, either.

Along with the massive reduction of its military role, the Alliance's political and security policy image has also significantly changed, and been expressly strengthened. The important stages of these were the following:

—NATO's state and government heads said in their May 1989 statement: "We are striving to establish a new political peace order in Europe....," "We will work to establish the foundations of a world where defending the independence and territorial unity of the world's countries is the only goal of military forces....;"

—The North Atlantic Council's 7-8 June 1990 message from Turnbery made a gesture of friendship to the Soviet Union and the other European countries;

—On 19 November 1990, NATO and the Warsaw Pact countries signed the agreement on reducing conventional forces in Europe;

—On 7 and 8 November 1991, in Rome, the state and government heads of the member states accepted NATO's new strategic concept, which is significantly different from the previous ones;

—On 20 December 1991, NATO established the North Atlantic Cooperation Council, to which they invited all member states of the former Warsaw Pact and the CIS, giving an opportunity for multilateral cooperation and consultations;

—NATO foreign ministers announced at their 1992 Oslo session that, in addition to the United Nations, they are also willing to support, on a case by case basis, the CSCE's [Conference on Security and Cooperation in Europe] peacekeeping activities;

—At the 10 and 11 January 1994 Brussels summit, they launched the Partnership for Peace program, which has been joined by an increasing number of countries (25 as of February 1995).

Therefore, in the current situation, the new NATO is not only willing to apply military force for its member states and in its area of authority but in certain cases, at the request of the United Nations or OSCE [Organization for Security and Cooperation in Europe], it can also undertake peacekeeping and humanitarian missions. With the establishment of the North Atlantic Cooperation Council and the Partnership for Peace program, the changing and renewing alliance has started down the road to becoming a reliable support for European stability and security, and a political and military pillar for the future European cooperative security system.

The Past Journey Defines the Future Direction

Since 1989, NATO's declared objectives and accepted decisions, concepts, and programs no longer allow the Alliance leadership to force onto future member states commitments that are contrary to the letter or spirit of these. It is likely that no such goals do, or will, exist. Therefore, Istvan Gyarmati's argument cannot be seen as well-founded: "By excluding the possibility of stationing nuclear weapons on its territory, by virtue of its Constitution or in another way, a country also excludes itself from NATO." This statement was not correct in the past either, because—as is recognized by Gyarmati elsewhere—a number of NATO member states have already refused to have nuclear weapons stationed on their territory. However, in this case—to follow the logic, applying the principle of equal obligations—these should also be excluded from the alliance, which seems to be nonsense. On the other hand, the quoted passage would contradict and clash with Sections 1 and 2 of the 1 July 1968 nuclear nonproliferation treaty, which was again extended by the participating 175 states at the New York conference that ended on 12 May 1995.

The situation is the same in the case of stationing foreign troops. Even now, some NATO member states do not permit Alliance troops to be stationed on their

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territory in peacetime. Nevertheless, these countries were admitted and have remained members. NATO also accepted the July 1990 agreement of Germany and the Soviet Union that in the future only German troops would be stationed on the territory of the former East Germany. Furthermore, the Fourth German Army stationed in Potsdam, for example, is not assigned or subordinated to any NATO command.

The author's observation that the Hungarian Army could adjust to NATO in two ways is also disputable. Although the two ways he presents are possible, I believe the most likely method will be possibly having to contribute a small contingent to the rapid reaction forces, which are subordinated to NATO even in peacetime, while a bigger contingent would go to NATO's main defense forces, with this contingent remaining under national control in peacetime. In addition, a commitment has to be undertaken to establish reinforcement forces in a war situation. Naturally, we must accept the limited stationing of NATO's leading organizations and troops in Hungary. The "organization of several, major military exercises on our territory" as indicated by the author does not seem well-founded. It is NATO's goal to reduce the number and size of exercises. In addition, such exercises would increase opposition to the neighboring countries remaining outside NATO, especially Russia. NATO's leadership would like to avoid this.

The idea that "the troops stationed here could take over certain tasks from the Hungarian military that we would otherwise have to perform ourselves" is not very likely, either. The current trend in NATO is that apart from a very small section, the military forces of the various countries remain under national control in peacetime, with collective defense only coming into force in the event of aggression against a member state or the whole alliance. I do not think that they would wish to change this, even if requested by Hungary.

Reform or New Army?

It is misleading to raise the possibility of a 30,000-man Hungarian army. It does not come as cheap as that. In peacetime, the military quota of countries similar in size to Hungary is indeed 30-40,000, but in the event of war, a multiple of this number needs to be under national control in order to ensure the protection and operation of important state, leadership, public administration, public utilities, transport, and other centers.

The following statement is also too general: "Due to its geographical situation, Hungary could only be defended by a massive army...." First, it must be clarified which aggressor we have in mind, how much equipment he has, and how good he is. Against minor forces, a few battalions or one or two brigades might be enough. In another case, however, an army of 1 million might not be enough. For example, according to the September 1944 assessment by the chiefs of staff, in autumn 1944, the Hungarian Army numbered 1,071,751 people, who were divided into three armies, 10 corps, 30 divisions, and so on. In addition, there were also two or three German armies in Hungary. The total number of soldiers exceeded 1.5 million. However, even a massive army of this size was unable to defend the country against numerical superiority.

Gyarmati wrote a lot about the reform of military forces. One can only talk about the reform of an organization until the point when the changes completely remodel the organization. The Hungarian Army is already past this stage. An army with a new purpose, spirit, function, structure, armament, training, and so on is being created in Hungary, and this goes beyond the limits of reform. Therefore, we had better talk about the establishment of a new Army and we should use this terminology in the future.

A Surpassed Category

Neutrality is a mere wish so long as we do not show how conditions for it can be established. Of the former neutral states, calculating in absolute terms, in U.S. dollars, Austria spent approximately twice as much as did Hungary, Finland four times as much, and Switzerland and Sweden five to six times more for military purposes every year for a long time, in the framework of the Warsaw Pact. On the other hand, Hungary's military-geographical situation is also different from the formerly neutral countries, which could have successfully prevented attack and advance by a possible aggressor with relatively small military forces. In addition, without the necessary guarantees, neutrality could be violated at any time.

The outdated nature of neutrality is well illustrated by the fact that three countries have already joined NATO's Partnership for Peace program. NATO's leadership accepted Sweden's application on 22 August 1994 and Finland's on 12 October 1994, and Austria's foreign minister signed the framework agreement on 10 February 1995. This cannot by any means be forced into the notion of neutrality. Rezso Banyasz was not able to produce adequate arguments and proof, and that is why he was obliged to adopt an unbefitting style and denunciation like: "Puppet soldiers who enthusiastically keep lifting their hands and legs for each command"; "the disseminators of NATO mania"; "it would be good for them to study the history books more"; and so on. The latter would perhaps be needed by others. Better late than never!

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Commentary on U.S. 'Commitment' to NATO

WS1105124695 Warsaw RZECZPOSPOLITA in Polish 11 May 95 p 5

[Commentary by Maria Wagrowska: "Room for Compromise"]

[FBIS Translated Text] The Clinton-Yeltsin summit meeting in Moscow yielded rather insignificant results, not only as far as relations between Washington and Moscow are concerned, but also in the area of the agreement on European security, the role of NATO, and its expansion eastward. Nevertheless, its results were better than expected.

The agreements regarding control over nuclear arsenals, which was signed in Moscow yesterday, are not very significant in comparison with the decisions made at the six previous U.S.-Russian summit meetings on ending the epoch of enmity, on partnership, and on strategic arms reduction.

The fact which is important from the point of view of Poland and other Central European states, which are trying to join Western security systems, is that the summit did not end in the failure of U.S. policy concerning NATO expansion and construction of a security system in Europe. Russia did not rule out cooperation within the "Partnership for Peace," nor did it reject the idea of concluding a treaty on special relations with NATO. It agreed to discuss NATO expansion, even though Yeltsin defined his country's stand on this issue as "unchanged."

In relations between the United States and Russia, and—more broadly—in relations between NATO and Russia, there is still room for compromise. There is room for compromise on even such vital issues as the membership of Central European states in the Western organization.

Thus, if NATO is really prepared to admit new democracies, it should get ready for this. The United States has already proven its commitment to this issue. A similar commitment should now be displayed by all of America's allies.

There is still a chance to create a European security architecture in which there will be room for both Central European states and Russia.

Walesa Appoints New Head of Chancellery

LD1105154195 Warsaw TV Polonia Network in Polish 1500 GMT 11 May 95

[FBIS Translated Text] We learned a moment ago that President Lech Walesa has recalled Janusz Ziolkowski from the post of head of the presidential Chancellery. His place will be taken by Tomasz Kwiatkowski, who has hitherto been the presidential lawyer. Ziolkowski was recalled at his own request.

Further Reaction to Possible Oleksy Indictment

Comment From Party Leaders

WS1105124395 Warsaw ZYCIE WARSZAWY in Polish 11 May 95 p 2

[Article by "IGO, PS": "The Tribunal for Prime Minister Oleksy?"]

[FBIS Translated Text] "This must be a joke! It is as if President Walesa decided to bring President Clinton before the State Tribunal," said Marek Mazurkiewicz (Democratic Left Alliance), head of the Sejm Legislation Commission, in reaction to the reported indictment of Prime Minister Oleksy before the State Tribunal. "The Constitution does not give the president the authority to prevent the prime minister from paying foreign visits. He can only prevent his kids from hanging out in discos, but he is not good even at that," he added.

Wlodzimierz Cimoszewicz, deputy speaker of the Sejm and one of Mazurkiewicz's party colleague, agrees. "The Constitution endows both the president and the prime minister with the authority to carry out foreign policies," he says.

"For me the motion is absurd. Although I am critical of Oleksy's Russian policy, it is at least legitimate," says Jan Litynski (Freedom Union). The president's move, in his belief, is "an element of the presidential campaign, in which Walesa wants to project the image of being the main anticommunist force."

Walesa's move is similarly assessed by Union of Labor spokesman Tomasz Nalecz, who claims the motion is "completely illegal."

"Such conduct does not befit a head of state. Even if this was only a propagandistic move and the president refused to sign the motion in the end," he claims. "This is reminiscent of war games in the playground, but they should never be played on such an important 'playground.'" Nalecz adds.

Only the parliamentary club of the Confederation for an Independent Poland greeted the news of the motion with satisfaction. Its members, however, do not believe the Sejm of the current term will decide to actually bring Oleksy before the State Tribunal.

"If not this time around," says Krzysztof Krol, "Oleksy will stand before the State Tribunal during the new parliament's term in office."

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Asked to comment on the motion in Oleksy's presence upon having returned from Moscow, Andrzej Zakrzewski, secretary of state in the president's Chancellery, refused.

"I was out of the country, I do not know what went on in the Chancellery," he stated.

Indictment Political Campaign

WS1105124895 Warsaw ZYCIE WARSZAWY in Polish 11 May 95 p 1

[Commentary by Jerzy Wysocki: "Luring the Wolf Back Into the Forest"]

[FBIS Translated Text] An indictment before the State Tribunal is the highest form of repression that can be applied to a politician. There has not yet been such a precedent, not even in the case of General Jaruzelski, the father of Martial Law. One may thus doubt whether [Prime Minister] Oleksy should be penalized with "the most severe sentence" for his Moscow visit. It is still unclear as to whether or not the head of government actually violated the Constitution by going to Moscow against the president's will. It is unclear to what degree the prime minister is sovereign in the situation when the president oversees Poland's overall foreign policy.

Regardless of the intricacies of legal regulations on powers, Oleksy's presence at the Moscow celebrations did not seem called for from the start. The fact that Yeltsin, with Clinton's silent approval, once again objected to our joining NATO only proves all of our earlier misgivings. Imperial ambitions continue to prevail in Moscow. The same ones that led to Poland's enslavement 50 years ago.

On the other hand, it is becoming ever more obvious that the Moscow celebrations served as the perfect pretext for Walesa to promote his anticommunism. Although he was not completely wrong when he said [of Oleksy] that "the forest beckons the wolf," Walesa is doing all he can to make the government and leftist party leaders retreat to that forest. The more the leftist rule resembles practices applied in the times of the People's Republic [PRL], the greater Walesa's chances will be for winning the support of those voters who have not forgotten what the PRL was.

Controversy Over Jurek Appointment Continues

LD1105200395 Warsaw TV Polonia Network in Polish 1730 GMT 11 May 95

[FBIS Translated Excerpt] Prime Minister Jozef Oleksy has sent a letter to Lech Walesa in which he says that the president did not ask him to countersign—i.e., to confirm—Marek Jurek's appointment as chairman of the National Radio and Television Broadcasting Council [KRRiTV]. In the prime minister's opinion, this contravenes the small constitution. The president's spokesman [Leszek Spalinski] says, however, that the Radio and Television Broadcasting Act states clearly that it is the president who appoints the KRRiTV chairman. [passage omitted]

When government spokesperson Aleksandra Jakubowska was asked whether the government regarded Jurek's appointment as illegal, she replied that the journalists should themselves judge whether what was not in accordance with the Constitution was illegal.

[Begin presidential spokesman Leszek Spalinski recording] Undoubtedly, the lack of a countersignature does not make this act invalid, because the Radio and Television Broadcasting Act says simply: the president appoints. Does it not? Here there are certain formal considerations, but this is a matter of detail to be clarified by lawyers. [end recording]

KRRiTV expert Stanislaw Piontek says the president's decision cannot be appealed against in the Supreme Administrative Court. Only the Constitutional Tribunal can give an interpretation of whether it is in accordance with the law.

Oleksy Protests

LD1105130895 Warsaw Polskie Radio First Program Network in Polish 1200 GMT 11 May 95

[FBIS Translated Text] Prime Minister Jozef Oleksy has expressed unease on account of the lack of his countersignature under the nomination of Marek Jurek to the post of chairman of the National Radio and Television Broadcasting Council. The nomination was signed yesterday by President Lech Walesa. In the view of the prime minister, unease must be aroused by the discretionary way in which, in his view, the president treats constitutional provisions:

[Begin Oleksy recording] A serious problem has arisen in association with the avoidance by the president of seeking a countersignature to this personnel decision. I am writing a letter to the president in association with this, and with a question, full of unease, as to how this is to be understood; and I declare that this is not in order. I can only express the conviction and my unease that a process of viewing constitutional provisions in a fairly discretionary manner is in progress. [end recording]

In accordance with Article 46 of the small constitution, the legal acts of the president require the countersignature of the prime minister.

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NBP To Free Zloty Exchange Rate 16 May

LD1105153395 Warsaw Polskie Radio First Program Network in Polish 1300 GMT 11 May 95

[FBIS Translated Text] Hanna Gronkiewicz-Waltz, chairwoman of the Polish National Bank [NBP], said at a news conference today that the principle of free determination of the zloty exchange rate against Western currencies will be introduced from 16 May. It is decided that the range of exchange rate fluctuation within the so-called band should not exceed seven percent either way. The pace of devaluation will be maintained at the current level of 1.2 percent a month.

Hanna Gronkiewicz-Waltz added that the central bank decided to free the exchange rate of the zloty because of the growing foreign currency reserves in the first months of this year and because of the changing inflation rate.

Poll Shows 10 Percent Support Walesa Candidacy

WS1105130195 Warsaw ZYCIE WARSZAWY in Polish 11 May 95 p 2

[Report by "NIKA": "One in Three Poles Supports the Left"]

[FBIS Translated Text] "There is no politician I would most like to see become president if elections were held in the immediate future," claim a mere 6 percent of Poles questioned by Demoskop. One in five still do not have a favorite presidential candidate. Among the rest, the largest group (25 percent) supports Aleksander Kwasniewski, and only a slightly smaller group (23 percent) is behind Jacek Kuron.

Other politicians are much less popular—Adam Strzembosz leads this group (11 percent), with Lech Walesa following close behind (10 percent). Tadeusz Zielinski's victory would please 5 percent, Andrzej Olechowski's—4 percent.

Out of those polled, 32 percent claim the presidential campaign will lead to the election of a candidate supported by the postcommunist-left coalition, and 22 percent—a candidate not affiliated with any party. The success of a politician fielded by rightist independence parties would please 11 percent, and Lech Walesa's reelection—8 percent.

These results are based on a Demoskop poll conducted on 6-11 April on a random sample of 989 people.

Poll on Prospective Candidates' Attributes

WS1105124195 Warsaw NOWA EUROPA in Polish 11 May 95 p 2

[Report by SAR: "CBOS—Portraits of Presidential Candidates; Handsome Boys of SLD"]

[FBIS Translated Excerpt] [Passage omitted] In line .ith an opinion poll conducted by the Public Opinion Research Center [CBOS] in May, Democratic Left Alliance [SLD] leader Aleksander Kwasniewski, who has for months now been at the top of all preelection ranking lists, is perceived first of all as intelligent (62 percent), good-looking (31 percent), quite specific in his statements (30 percent), energetic (29 percent), and consistent (16 percent). Only 10 percent of respondents believe that he understands problems of the people.

In line with the April [as published] poll, second place is occupied by Freedom Union Chairman Jacek Kuron. The respondents believe that he first of all understands people's problems. As many as 57 percent of respondents agreed with this opinion. The respondents believe that he is intelligent (35 percent), energetic (25 percent), quite specific in his statements (24 percent); only 17 percent also consider him to be a good-looking man.

The politician who got the lowest evaluations is Lech Walesa, who is third in opinion polls [of expected presidential candidates]. As many as 37 percent pointed out that "he speaks vaguely, one does not really know what he thinks." According to 36 percent, his intelligence does not distinguish him from others, and 32 percent say that he is incompetent. In the eyes of 19 percent of respondents he is a politician who is unable to complete what he has begun—everything just slips through his fingers. According to 14 percent, his most important characteristic is his consistency and firmness in attaining goals.

Adam Strzembosz, who is among the top five candidates, is seen as a candidate who is first of all intelligent (40 percent), competent (24 percent), quite specific in his statements (18 percent), honest (15 percent), and consistent (10 percent).

Another candidate of SLD that is gaining increasingly more support is Jozef Oleksy. The respondents believe that he is first of all intelligent (55 percent), specific in his statements (38 percent), competent (35 percent), and consistent (19 percent); he also understands people's problems (17 percent), he is energetic (15 percent) and honest (12 percent). As many as 10 percent say that his main characteristic is that one does not know what he really thinks. According to 10 percent, he is also good-looking.

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Polish Peasant Party leader Waldemar Pawlak, whose rating is rather high, is first of all too slow (33 percent) and speaks vaguely (33 percent). He is also intelligent (29 percent), but at the same time 13 percent believe that his intelligence does not set him off from the others. He is unable to finish what he has begun (27 percent); 19 percent think that he is good-looking. [passage omitted]

Sejm Passes Amendment on Penal Proceedings

LD1105124995 Warsaw Polskie Radio First Program Network in Polish 1005 GMT 11 May 95

[FBIS Translated Excerpt] The Sejm has passed an amendment which will make it possible to introduce changes to penal proceedings. The most important are the replacement of the institution of extraordinary appeal with cassation, and the courts being granted the sole right to sanction temporary arrest. Over to Stanislawa Stec, our parliamentary correspondent:

[Stec] Thanks to this law, parties involved in trial proceedings will now be granted the right to file cassation motions in order to appeal against court verdicts. So far this has not been possible with regard to extraordinary appeals.

In addition, the period of temporary arrest may not exceed three days. Before, decisions involving arrest were made by prosecutors. Now they will have to be made by courts—after the interrogation of the suspect has been carried out, with his lawyer present if at all possible. Only prosecutors and courts will be able to extend the duration of the defendant's arrest period; the former up to six months, the latter up to a year.

The law also defines the limits on the duration of the arrest period—up to 18 months in all criminal offenses, except murder, and to 2 years in case of a murder charge. This rules out situations whereby people could be kept under arrest for years, but imposes considerably increased demands on investigation procedures, as the arrest period will be counted from the moment of the first court decision on arrest. Also, only the Supreme Court may extend the duration of temporary arrest for an u[illegible]ified period of time. More money and more posts for judges will be needed to make all this possible. Aleksander Bentkowski, the deputy rapporteur, said.

The new law also includes regulations concerning extradition. The consent of a person involved is required both when it comes to a Pole sentenced abroad and a foreign national tried in Poland.

The parliaments during the two previous terms in office tried to have these changes introduced, but to no avail. [passage omitted]

New Polish-Slovak Border Crossing Opens

MM1105132395 Katowice TRYBUNA SLASKA in Polish 2-3 May 95 pp 1-2

[Article by Krzysztof Oremus: "Bordering on the Insufferable"]

[FBIS Translated Text] Zwardon, Zywiec—Despite the fact that construction work had not been completed, last Sunday the prime ministers of Poland and Slovakia cut the ribbon in a ceremony which officially opened the new border crossing in Zwardon-Myte. The tense and nervous atmosphere accompanying the construction work did not ease off until a dozen hours or so before the official guests were due to arrive.

For the governments of both countries, the meeting at the new border crossing assumed symbolic significance. In addition, it was announced—in defiance of repeated protests from the local communities—that several more border crossings would be built between the two countries, including another one in Zwardon-Myte designed to service freight traffic.

So that Polish Prime Minister Jozef Oleksy and Slovak Prime Minister Vladimir Meciar could shake hands at the Zwardon crossing, teams of construction workers toiled around the clock throughout the days preceding the official opening. In fact, work was not finished until 2100 hours last Saturday. The pace of the operations was indeed punishing: On the last day one of the workers broke an arm. It was next to impossible to paint road markings on the section of access road leading up to the crossing because all the time very important officials kept rolling up in their automobiles to oversee the progress of the operations. The role of head driver was assumed—albeit from a distance—by none other than Government Press Spokesman Aleksandra Jakubowska.

Close on the heels of the departing construction workers, the Border Guard assumed possession of the premises. By an hour or so before midnight last Saturday, no one was allowed anywhere near enough to even peer into the buildings erected at the crossing point. One of our reporters found this out for himself as he attempted to pull off the feat in the small hours. In any case, by then the border guard officers had already gone through a "baptism of fire" at their new post: They were forced to take action as early as Saturday, when an irate highlander charged the crossing on horseback.

It is unlikely that Prime Minister Oleksy, who reported at the border crossing at 1040 hours last Sunday, could have expected crowds of such magnitude as had turned up for the event. The clamor, the confined space, and the general turmoil which accompanied the movements of the two prime ministers prevented them quite effectively

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from even noticing that the recently poured concrete was still wet in places or that the buildings of the new crossing were surrounded by mounds of freshly moved earth. After a few routine speeches the two heads of government left—in a motorcade of 22 state limousines—for the Old Castle in Zywiec. The border became virtually deserted, and people were finally able to refresh themselves with a draught of beer at a border inn.

The plenary session in Zywiec lasted several hours. During that time, the prime ministers spent an hour in a "face to face" talk.

"It was like a conversation between two neighbors who know how to come to an agreement," Jozef Oleksy said.

"We are pleased to see that the Polish side is taking a favorable view of the proposal to build an expressway designed to connect Zwardon and Skalite," Vladimir Meciar added in his turn.

In addition, Prime Minister Oleksy confirmed that he was aware of the protests from the local population, but pointed out that the new international crossing is of great importance for Poland, even to the extent of having strategic significance.

"We will all write official letters of protest. There is nothing more we can do now," a representative of the 200 dissenting families opposed to the plans to build an expressway—and an associated freight traffic crossing—told us before we left Zwardon.

Controversial Order for Military Vehicles Settled

WS1105140995 Warsaw GAZETA WYBORCZA in Polish 11 May 95 p 21

[Article by Pawel Alterman: "Tender for Vehicles for Polish Armed Forces Settled; Both Mercedes and Tarpan"]

[FBIS Translated Excerpt] Commanders will drive Mercedes, and spotters [zwiadowcy] will drive Tarpans—this is the decision that the defense minister and the General Staff chief made yesterday; the controversial tender for the delivery of all-terrain vehicles to the Armed Forces was settled.

The Armed Forces will purchase 57 higher-standard Mercedes vehicles (for higher-ranking members of the Polish Armed Forces) and 50-55 regular Mercedes all-terrain vehicles (for lower-ranking officers). The military will also buy 80 Tarpan vehicles, which will be used primarily by reconnaissance teams. The value of the contracts amounts to 160 billion old zlotys. [passage omitted]

"The Tarpan factory should be satisfied with such a decision," we were told yesterday by General Henryk Mika, head of the Department of Armament and Military Equipment Delivery. "We needed vehicles for commanders; Tarpan did not present us with such an offer." Next year another tender will probably be held. According to the general, unless the Tarpan factory in Antoninek modernizes its product, it will have no chance.

Progress in Economic Reform Assessed

95EP0078A Warsaw TYGODNIK SOLIDARNOSC in Polish 24 Mar 95 No 12, pp 1, 6

[Interview with Jadwiga Staniszkis, sociology professor, by Tomasz Sypniewski; place and date not given: "What Is Happening?"]

[FBIS Translated Text] [Sypniewski] It is now the sixth government and the sixth year of reform, and they are now proceeding in the opposite direction of what was negotiated at the 1989 Roundtable. Often Solidarity is being blamed for such a course of events.

[Staniszkis] There is always tension between the political elite and—let us say—public opinion, even in stable democracies. In our country, this conflict is exceptionally acute because the public had been waiting for the organization of the government to be based on ethical criteria. Public opinion cannot function except on the basis of unequivocal standards: This is good, that is bad, but politics and politicians refer more likely to procedure than to ethical standards.... Since we have democracy and democratic institutions have emerged, everything that is happening is based on public acceptance, this being the version advocated by politicians. However, the transformation has afforded so many occasions for violations of commonly accepted norms of cohabitation and ethics that tension is extreme, because society has been awaiting something different.

[Sypniewski] The Roundtable presaged organizing the country on the basis of ethical values.

[Staniszkis] The paradox of the Roundtable consisted in the fact that the Communist side had even then accepted the transition to a capitalist economy, because it was convenient for it to utilize its "residue of power" which facilitated its privileged start on the road to capitalism. It was even ready to endure the rigors of stabilization. Paradoxically enough, the Communist side was disappointed when Solidarity designated a delegation with a social-democratic orientation.

[Sypniewski] So, in the opinion of the Communists, their adversaries were too leftist, were they not?

[Staniszkis] Yes; it should be borne in mind, after all, that in the background of the "Roundtable" and

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reemergence of Solidarity there were, among other things, the interests of Western banks, which were worried by the possibility of forfeiting the money loaned to the Communist Bloc—about $100 billion. Refusal to repay that debt would mean bankruptcy of the Western banking system. The West was interested in a Polish Government that would, on the one hand, not heed Moscow's urging to abstain from repaying that debt and, on the other, impose on the society a policy of belt-tightening stability that the Communists themselves could not introduce. With a government like that the West would be able to discuss debt repayment, and hence it was interested in a more liberal option than that championed by the Solidarity side during the "Roundtable." Besides, the postcommunist negotiators, while negotiating the partial write-off of that debt, had promised privatizing one-half of state property by the year 1993.... They had probably interpreted privatization to be something like the NEP [the Soviet New Economic Plan in the early 1920's] as surrendering part of the whole in order to retain control. So then, the readiness of the Communists and the outside pressures resulted in that the first post-Roundtable government consisted chiefly of individuals espousing a stabilization program different from the negotiated social-democratic program.

[Sypniewski] Then the voters who elected the Roundtable candidates and program were deceived, were they not?

[Staniszkis] To some extent, yes. This concerns not only the irresponsible promises of former Finance Minister Balcerowicz, who was certainly aware that we were about to experience a much more painful process than that depicted by him. This also concerns the fact that, side by side with the encouragement of small private enterprises and with small-scale privatization, a kind of "nomenklatura capitalism" began to be built, which continues to this day to be a means of redistributing rather than producing goods. Capital-creating institutions were established which burdened state enterprises with a substantial part of the cost of capital creation. Besides, that began even earlier, in the mid-1980's. At that time the first stage of the process was the creation of plants attached to state enterprises, followed by a second stage during which various kinds of foundations, commercial banks, and FOZZ-type [Foreing Debt Servicing Fund] institutions were established, thus serving to finance a dozen or so big nomenklatura-managed companies from the state budget. The third stage, the current one, consists in the functioning of nomenklatura capitalists in organized groups and in the so-called hybrid form of ownership, under which a parent institution in some field is established and gains a group of spin-off enterprises which owe to it exclusivity in some market or sole access to institutions that reduce costs and risks (e.g. export guarantees or risk insurance). This already is more complicated, because it also often includes participation by private capital—through the mediation of mutual funds. All this serves to shift funds from the state-budget sector to private hands. This can be defined as preliminary accumulation and concentration of capital.

[Sypniewski] This is interesting....

[Staniszkis] I participated in a panel discussion at WIEZY during which I asked Lubomir Kawalec, then a close associate of Balcerowicz, how far ahead was all this planned. He said that the abandonment of mass privatization was due to a mistaken appraisal of the time the voters had given them. They wanted real privatization, but they also wanted, so he said, to prepare it well, better than the Czechs or Estonians. So privatization was conducted very slowly, and reprivatization was blocked, while the well-prepared and experienced nomenklatura capitalization, ongoing since the 1980s, kept growing. Still, even in such a variant it was possible to make sure that funds from the state sector would serve to promote the genuine private sector rather than the above-mentioned hybrid structures. As to why this was not done, that is a question for Balcerowicz to answer.

[Sypniewski] And perhaps the public, which voted for democracy and property empowerment, and instead saw the growth of big government and a new-style nomenklatura, should be asked whether it approves such developments?

[Staniszkis] A referendum would mean polling those who benefit the least from the transformations whether they approve the direction of the transformations. Besides, it is so easy to manipulate public opinion! But certainly something should be offered to the public (e.g., an impetus to mass education in the form of a government-financed attractive adult education system, or employee-owned companies and employee stock ownership, because in 1990 the value of newly bestowed democratic freedoms was overestimated). It soon turned out (and was confirmed by sociological studies) that people associate democracy with justice rather than with freedom. Initially, people had expected, if not retaliation then at least greater social justice in apportioning the burden of transformation—and they did not receive it either. The fact that the same social hierarchies are at present reproducing themselves by means of other mechanisms does not mean a change so far as public is concerned. And let us bear in mind that when in the 1980s there appeared employee-owned companies, along with nomenklatura

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companies, this gained much greater social acceptance, because the model seemed more rational. People felt drawn to capitalism.

[Sypniewski] And now they no longer feel that way....

[Staniszkis] How so? Consider that along with the development of that redistributive instrument having the form of "political capitalism" there is the unusually vigorous growth of the private sector and the underground economy, even though they are deprived of all the relief available to the organized nomenklatura, such as loan guarantees, export subsidies, market insurance, and easy access to low-interest loans. Their operating costs are much higher and they get no special favors, yet they are growing by leaps and bounds.

[Sypniewski] Perhaps there is not enough money to promote the private sector?

[Staniszkis] It would suffice to establish a risk-insurance or export-guarantee system that is based not on political preferences but on cost effectiveness, and to use foreign exchange reserves in order to set aside a fund for low-interest loans for investments, and also to reduce, if not to abolish, the duties on imports of machinery and equipment. The money for that is available. That would afford an opportunity for abandoning the model with which we got stuck and which is not amenable to modernization. Investments are at present being made in the so-called final cycle of product life, meaning products for which the market disappears and which cease to be in fashion. In such products there is no room for domestic innovations. Properly speaking, our engineers cease to be needed, because there is no multiplier effect that would turn the technologies being introduced and modernized in this country into a stimulus for the growth of many subsectors. No sufficiently strong lobby for halting the widening technology gap has ever been established.

[Sypniewski] But nomenklatura capitalism has had its own lobby ever since the mid-1980's.

[Staniszkis] As soon as the idea that excluding Central Europe (and hence also Poland) from the Soviet defense system would not harm the Soviet empire became predominant in the USSR (and the hardline faction of the military was defeated by Ogarkov—that was roughly in 1984), the young Communist technocrats in Poland realized that the end of communism was coming. These technocrats included people like Oleksy, Rosatti, Kolodko, Olechowski, Balcerowicz, Jaskiernia, Michalski (deputy minister of finance). Many of them left for the West to prepare themselves for capitalism. Thus, they were six years ahead of the time, and this has paid off for them. And afterward, after 1989, the green light glowed for nomenklatura capitalism. One of the first bills legislated by the free Sejm was to reduce penalties for foreign-exchange crimes and to permit the possibility of foreign-exchange transfer—laws that hardly mattered to the petty entrepreneurs. I believe that these laws were agreed upon while negotiating agreements on terms for [the partial] write-off of Polish debt, along with the lower exchange rate of the dollar (which eased the situation of importers but hurt our exports) and the complete opening of borders to Western products. The Foreign Debt Servicing Fund was, among other things, one of the instruments for transferring assets to the West while at the same time being subsidized from the state budget.

[Sypniewski] It seems that the public has never been aware of what was actually happening. Is it not time for another, more honest Roundtable before the revolution comes?

[Staniszkis] There cannot be another Roundtable. I do not believe in such a one-time solution. Besides, frustration and discontent are not sufficient conditions for a revolutionary situation. There is no atmosphere for change, because there is no alternative vision, and no specific definition of the nature of the conflict either. Solidarity as a symbol of the struggle of good against evil used to provide a vision of a state organized according to ethical criteria. That was why it was so popular. At present nothing like this exists and the only thing that can be articulated, in my opinion, is reformist projects. But one thing can be said: The politically aware post-Solidarity elites have abandoned the standards round which public opinion rallied, claiming that the criteria "good and evil" cannot be applied during the transition period. But that is too little to change the system. Change is possible only when there is a vision of the distribution and awareness of the nature of the conflict—and the manner in which the conflict is defined contains in itself a vision of the future system. But there is no such vision or awareness at present. Briefly, there is no mass mobilization without a utopian vision.

[Sypniewski] Solidarity objects to the current distribution of wealth, refers to "good and evil" criteria, and is sponsoring a civic draft of the Constitution....

[Staniszkis] Nowadays Solidarity identifies the flaws in the transformation quite well, especially when it refers to educational matters and claims that a good educational system and valuable human capital are being criminally ruined. Human capital affords us an opportunity to leap across certain stages of development and progress more rapidly toward becoming a so-called 21st-century information society based on direct information contacts among individuals and small groups

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(via the Internet, for example) at a minimum of hierarchy and by imposing signal decoding systems from the top. By means of a good educational system we could span the gap of the absence of economic, institutional, and technological ties. But that requires a society in which the average man's educational background is at the level of a good high school education.

We have that opportunity only if we invest in education. But the West, which interferes with the structure of our state budget (including spending on education) through the mediation of the World Bank and the IMF, views our country as lying on the periphery of the modern world, the modern information-science world, in which the individual—and not necessarily a business executive—becomes the decisionmaker, because he himself selects the information sources and makes choices. On the periphery, another, oligarchic model of existence in that world is obligatory. In that model there is a tiny group, an elite, which manipulates symbols, exercises power, controls the flow of information, and controls the totally defenseless society as well. By destroying our educational system it places us in that other model. When we add to this the striving toward an oligarchic, unequal distribution of wealth, we perceive the existence of a trend toward halting a genuine transformation of society. Here, too, Solidarity is struggling to change the system by struggling against the colossi which attend to redistributing rather than creating capital. It wants popular capitalism rather than political capitalism. Economic growth in Western countries has been taking place owing to the creation of a vast category of middle-class consumers enjoying a decent standard of living and acting as the prime movers of the economy. What is important is that, in its struggle against the monopolies of nomenklatura capitalism, Solidarity demands no money, which it does not have, but a change in the principles of distribution of national income.

Lastly, there is investment, which Solidarity also mentions. There is no growth without investment. This is what accounts for the growth of Japan, Korea, Taiwan—investment and technological improvements. In this country the entire middle- and high-level technology personnel are excluded from the transformation and instead, members of the former Communist apparat are relied upon as experts. Besides, it is not just the technological intelligentsia that have been relegated to the margins. For example, third-rate Western experts instead of our own qualified ones are being used for economic expertise.

[Sypniewski] No referendum, and no Roundtable either.... Then perhaps new elections will lead to the emergence of prosocial members of the current elites and co-opt new blood?

[Staniszkis] The elections may reveal the real line of division, which runs not among parties but among interest groups, individuals scattered among various parties, whose real "affiliation" can be perceived from the individual elections. That is all. The time of genuine reform must be preceded by the articulation of actual aspects of the conflict and presentation of a program for reforming the "reforms," such as would be understood by people.

Factors in Market Slump Examined

95EP0088A Warsaw POLITYKA (Privatization supplement) in Polish 1 Apr 95 No 13, pp I, II-III

[Article by Jan Czekaj, under secretary of state in the Ministry of Privatization, under the rubric "Projection for the Exchange": "Lack of Wind"]

[FBIS Translated Text] *In the history of the Warsaw GPW [Securities Exchange] to date, March has been a particular month. As a rule, March has been the time at which earlier trends change. In 1992, it was precisely in March that the bear market set in, which lasted until the end of June 1992. Likewise in March (this time, in 1993), a spectacular bull market set in which caused the public to take a tremendous interest in the exchange. The growth of quotations and the social popularity of the exchange brought about an unparalleled growth of the number of investors on the exchange. This boom continued until March 1994 and was followed by a bear market.*

The moods and expectations of participants in the market, even if they proceed from irrational premises, may be as much of a driving force behind the growth or decline of quotations as economic fundamentals are. Taking into account the experience of the past few years, we could say that March amounts to a turnaround month in the perception of investors. However, this was not the case. Therefore, we have to turn away from psychology and fortune-telling, and engage in trend analysis. Do the trends hold the promise for a return of the bull market?

As we ponder the probable development of the situation on the exchange this year, we should note the scale of the exchange. It was relatively easy to facilitate certain processes in 1992 and 1993, whereas at present it is extremely difficult to set them in motion. In 1992 and 1993, the number of quoted companies, investors, bids made, the volume and the value of sales were, without comparison, lower than at present. At the beginning of 1993, 16 companies were quoted on the GPW. The average volume of sales at a single trading session did not exceed 40 billion zlotys, nor did the number of shares traded exceed 150,000.

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Meanwhile, despite an uncommonly rapid decline in the level of activity on the exchange in 1994, in February 1995 the average volume of trading came to about 300 billion old zlotys, and the number of shares traded to about 1.5 million. The emergence of a continuous growth trend under such circumstances calls for a considerably greater volume of new capital than was needed in March 1993. It is open to question whether we can count on such capital coming in at present. However, it should be kept in mind that it is considerably more difficult for a continuous upward trend to occur than two years ago.

The economic environment is one of the basic factors shaping the economic situation in mature capital markets. For a few years now, Poland has been among the most rapidly developing states in Europe. However, to date this factor has not been adequately taken into account by investors in evaluating stocks. Last year's bull market began in a period in which growth trends in the economy were becoming steadier. Despite the fact that prospects for economic growth, at least for the coming year, appear to be good, investors are not showing interest in the acquisition of stocks.

However, it cannot be ruled out that signs of a decline in the rate of economic growth may appear during the year. This can be a factor depressing the quotations. Nevertheless, such apprehensions should not be excessively strong because it can be assumed that the impact of this factor should not be significant in a period of the eventual recession, just as it is not in a period of growth.

Inflation

Inflation is a factor which, in general terms, does not facilitate economic activity. A considerable success of the Polish economy in combatting inflation over the last few years has also brought about greater confidence in various forms of investment, including through the exchange. If the plans of the government with regard to reducing the rate of inflation turn out to be realistic, it will be a stabilizing factor for the economic situation in the country and will facilitate the development of various forms of investment. A return of pronounced inflation (certain symptoms of which were registered in January) would be poorly received by investors.

On the other hand, we should keep in mind the fact that in developed markets stocks are viewed as a good hedge against the consequences of inflation (and can indeed be such). Therefore, the growth of the rate of inflation does not necessarily have to cause a decline in share quotations (in real terms) because the growth of inflation may induce a switch from savings held in the form of bank deposits to stocks, which may be a factor facilitating the growth of quotations.

Interest Rates

Interest rates (the rates of interest on bank deposits or bonds) are closely tied to the rate of inflation. The growth of the rate of interest on bank deposits or bonds discourages investment in the stock market, and vice versa, declining interest rates may encourage investment in stocks.

A reduction in the interest rates of the central bank, with commercial banks following suit, was one of the factors which gave an impetus to the bull market of 1993. However, it would be extremely difficult to confirm this statement empirically, at the very least because the subsequent reductions in the central bank interest rate not only failed to generate a bull market but were unable to counteract the exacerbating bear market.

In turn, the latest increase in interest rates by the National Bank of Poland did not cause a drop in quotations, which could have been expected if investors had indeed responded to changes in such rates in the aforementioned manner.

Is this to say that there is no connection at all between stock quotations and interest rates? Arriving at such a conclusion does not appear legitimate because just one factor, yet the decisive one, is omitted from the discussion of the dependence of the exchange situation on the level of interest rates. Thus, interest rate changes in real terms are the rational basis for changes in the investor behavior in responses to interest rate changes. As long as we operate in the area of nominal values, there are no reasons to expect that a decline or growth of interest rates will result in a particular response from investors. In view of the relatively high level of real interest rates, it appears that in this instance a decline would be the proper direction of change which may contribute to the growing attractiveness of investment on the exchange.

Privatization

The establishment of the exchange in 1991 was made possible, among other things, due to choosing a particular model of privatization which "supplied" companies fit for trading on the exchange, i.e. meeting certain standards, especially in the area of information made available to participants in the market. In its absence, the stock market would not have developed so dynamically. In this regard, it also bears mentioning that the 1993 bull market would have certainly been considerably weaker if the privatization agencies were in a position to deliver a greater number of companies for public offers.

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This year's proceeds from privatization are supposed to be considerably higher than in previous years. The minister of ownership transformations alone must furnish to the budget more than 15 trillion old zlotys by virtue of privatization. Greater revenues of the state budget by virtue of privatization mean an outflow of a certain proportion of capital from the exchange (at the very least a reduction in the inflow) which may cool the trends on the exchange.

However, it should be noted that the way in which proceeds from privatization are obtained is decisive in this instance rather than the volume of the proceeds. If the proceeds were to be generated mainly through selling stocks on public offer it would undoubtedly be a factor destabilizing the situation. However, it would not be possible to generate such proceeds through public offers.

If the planned proceeds from privatization are to be obtained at all it would be necessary to reduce to a minimum the proportion of proceeds received within the framework of public offers. Most of the proceeds must be generated through the sale of enterprises to strategic investors, especially foreign. If this were to happen, even the complete implementation of the planned proceeds of the budget should not influence the environment of the exchange adversely.

Foreign Capital

Foreign capital influences processes underway on the Warsaw exchange considerably. According to various estimates, foreign capital accounts for about 25 percent of the volume and capitalization of the exchange. It is quite commonly believed that an inflow of foreign capital was one of the most important factors which set in motion the growth of quotations in early 1993. The reversal of the growth trend in quotations in March 1994 is also viewed to a considerable degree as a result of the withdrawal of foreign investors. Given this situation, it appears that it would be impossible for a steady growth trend to occur without an increased inflow of foreign capital.

Yet, it is extremely hard to foresee the behavior of foreign investors. On the one hand, phenomena such as the continuous growth of the gross domestic product, an improvement of the balance-of-payments situation, keeping within the planned quotas of budget deficit, and a relatively low level of quotations favor a growing interest in investing in Poland. On the other hand, statements about a slowdown in the pace of reforms and the unstable political situation can offset favorable phenomena. It appears that for now favorable factors are prevalent.

Investors

The prevalence of small private investors combined with a lack of institutional investors is a characteristic feature of the capital market in Poland. This structure of the market results in very nervous responses to various signals sent by the market. As a consequence, the magnitude of fluctuations in quotations on the Warsaw exchange is high. Due to this, an upward or downward trend in quotations, once started, is hard to arrest. "Knee-jerk" responses by small private investors cause certain trends in the market to persist despite objective economic premises. Thus, irrational growth tendencies persisted in the first quarter of 1994 due to the collective actions of private investors. At the beginning of 1995, it is equally difficult to overcome stagnation in stock quotations despite fundamental factors which would justify a significant upper trend in quotations.

It will be possible to ensure rational responses by the exchange when the market is saturated with institutional investors. Considerable progress in terms of both legislation and practice should be made in this regard in the current year. It can be assumed that:

—work on the law on closed-end funds will be completed;

—work should begin on the reform of the social insurance system, which in combination should lay the foundation for the development of new institutions for collective investment in the capital market.

Taxes

Technically, 1995 is the last year in which proceeds from the exchange (capital gains) are exempt from the income tax although recent statements made by Prime Minister Oleksy (on the occasion of his visit to the exchange) suggest that modifications are planned in this area. However, if nothing is changed the taxation of such income would definitely reduce the attractiveness of the exchange to investors. Yet, this tax would be introduced effective next year, and this year would thus be the last in which capital gains are not taxed.

There are many investors who would certainly like to take advantage of this. Therefore, it cannot be ruled out that action would be taken to induce a stronger growth trend with profits subsequently taken. If this assumption is correct, we could expect the quotations to grow in the months to come and to decline toward the end of the year.

Politics

The political factor should be taken into account. To be sure, it should be kept in mind that to date it has

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not played the role that is usually ascribed to it on other exchanges. As we know, the period of the fastest development of the exchange in 1993 coincided to a considerable degree with an unclear political situation following the resignation of the Suchocka government and the dissolution of the Sejm.

We registered a certain response from the exchange following a parliamentary election in the fall of 1993. However, it appears that this was a delayed response; to a considerable degree, it was caused by the hysterical behavior of the mass media which predicted the demise of the exchange after the SLD-PSL [Alliance of the Democratic Left-Polish Peasant Party] coalition came to power. A short-lived but rapid fall in quotations which occurred after the elections is the only significant instance of a response by the exchange to a political event.

While the next year is not likely to be quiet from the point of view of politics, it appears that, similarly to previous years, the political situation will not be a decisive factor. Participants in Polish economic life respond less and less to political events. This is a healthy attitude which gives rise to hope.

The Year of the Bear Market: Comparison of Exchange Indicators on 8 Mar 94 and 8 Mar 95

Indicator	8 Mar 94*	8 Mar 95
WIG [Warsaw Exchange Index]	20,760.3	6,662.3
Number of shares traded	1,041,022	1,111,845
Average price/ earnings ratio	36.9	6.3
Average price/book value ratio	9.62	1.47
Capitalization of the exchange	15,438,960,000	7,302,940,000
Number of listed companies	24	47

*Past data is given in new zlotys

How Much Have We Lost? Quotations of Some Listed Companies on 8 Mar 94 and 8 Mar 95

	Share Quotations (in New Zlotys)			Volume (1,000 New Zlotys)		
Company	1994	1995	Change	1994	1995	Change
Tonsil	75.00	17.50	- 76.7	2,535	180	- 92.9
Prochnik	115.00	22.50	- 80.4	5,088	30	- 99.4
Krosno	79.00	19.40	- 75.4	3,430	143	- 95.8
Exbud	36.00	12.70	- 64.7	4,064	409	- 89.9
Kable	110.00	24.10	- 78.1	3,085	262	- 91.5
Swarzedz	56.00	18.20	- 67.5	3,338	731	- 78.1
Wolczanka	105.00	23.80	- 77.3	5,594	98	- 98.3
Zywiec	382.50	152.00	- 60.3	40,745	177	- 99.6
Wedel	326.00	135.00	- 58.6	10,467	150	- 98.6
Okocim	166.50	58.50	- 64.9	12,921	131	- 99.0
Elektrim	26.70	8.70	- 67.4	20,966	364	- 98.3
Irena	55.00	21.50	- 60.9	4,665	823	- 82.4
Mostostal Ex	27.10	14.60	- 46.1	9,932	148	- 98.5
Universal	54.00	9.80	- 81.9	25,165	2,586	- 89.7

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	Share Quotations (in New Zlotys)			Volume (1,000 New Zlotys)		
BRE [Export Development Bank]	53.60	30.00	- 44.0	6,332	531	- 91.6
BIG [Economic Initiatives Bank]	6.25	1.42	- 77.3	7,409	789	- 89.4
Efekt	71.00	14.50	- 79.6	1,288	300	- 76.7
Polifarb Cn	36.20	9.50	- 73.8	11,759	622	- 94.7
WBK	22.50	4.95	- 78.0	15,749	480	- 97.0
Sokolow	7.55	1.85	- 75.5	9,643	352	- 96.4
Vistula	73.00	11.90	- 83.7	11,624	106	- 99.1
Mostostal Wa	26.00	7.05	- 72.9	1,090	90	- 91.8
BSK	500.00	87.00	- 82.6	36,713	378	- 99.0
Rafako	40.75	11.30	- 72.3	6,073	1,200	- 80.2

[Box, p III]

Companies Held by the State Treasury Whose Stock Is Slated to Be Sold by Public Offering in 1995

—Elektrobudowa S.A., Katowice
—Stomil S.A., Olsztyn
—Kety Light Metals Enterprise S.A., Bielsko-Biala Voivodship
—Hutmen S.A.
—Swiecko Wood Pulp and Paper Mill S.A.
—Olawa Metallurgical Plant, Wroclaw Voivodship
—"Polish Copper" Copper Mining and Smelting Combine S.A.
—Gorazdze Cement Mill S.A.
—Lech Breweries of Great Poland
—Ruch S.A.
—PHS State Foodstuffs Wholesalers S.A.
—Centrum Department Stores S.A.

Problems in Arms Trade, Export Growth Examined

95EP0100A Warsaw RYNKI ZAGRANICZNE in Polish 6 Apr 95 No 41, p 6

[Article by Pawel Wieczorek: "How To Increase Exports?"]

[FBIS Translated Text] Poland has never been considered a major arms exporter, but on certain markets we have succeeded in competing with the best suppliers, especially when customers favored equipment that is relatively uncomplicated technically, simple to service, and low-cost.

Our peak sales of arms—for 1.1 billion transfer rubles and $324 million—occurred in 1986. Later, our arms exports began to steadily diminish, and, in the years 1990-94, settled at the level of $65-95 million.

There is no doubt that the current portfolio of foreign orders at defense-industry enterprises and specialized trading institutions is much more modest than it had been in the previous decade.

It should be borne in mind, however, that formerly Poland used to give generous credit for supplying arms to certain Third World countries, including Iraq and Syria. Both of these countries still owe us nearly $750 million for the weaponry provided them in the second half of the 1980's.

Likewise, we still have not been paid for the shipments, valued at $150 million, made to the former USSR in 1991. To be sure, by now a compromise solution of this problem has been achieved: Russia is repaying its debt in the form of shipments of spare parts and provision of repair services, but this debt is shrinking slowly because the Polish Ministry of Defense lacks the funds for greater imports from Russia. In this context, the financial situation of the defense ministry is important insofar as that ministry acts as a middleman for Polish defense-industry enterprises by paying them back from its own funds the debts owed them by Russia in measure with the provision of spare parts to our military by the Russians and their repair of our equipment. At the beginning of 1995, the Russian debt owed to the Polish arms industry was still estimated at as much as $125 million.

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In sum, real exports—that is, the actual income from arms trade derived by defense-industry plants from shipments abroad—have generally not exceeded (also in the 1980's) $140-150 million annually.

After 1989, the arms trade policy pursued by Poland became markedly reappraised, which also contributed to reducing the scale of that trade. The changes occurring in this domain of trade are reflected in, among other things, a tougher selection of the incoming purchase offers, made from the angle of credibility of the documentation (including certification of the final user) provided by potential customers. Poland has also supported the decisions of the UN Security Council to impose a trade embargo on certain countries. In 1994, the list of countries with which arms trade was prohibited included, among others, Iraq, the countries of the former Yugoslavia, Rwanda, Haiti, Libya, Liberia, and Somalia. In practice, this meant the loss of certain markets.

Poland cannot give up its arms trade. This is due to several considerations. First, arms exports afford a real opportunity for the survival of the domestic defense industry, which otherwise, given the currently insignificant purchases by the Polish Defense Ministry, would experience even greater financial troubles. Second, arms sales serve to maintain the reserves of production capacity of this sector in a state of mobilizational readiness in the event of danger and war. And last, third, arms shipments are a source of a certain amount of foreign exchange, which facilitates financing the imports of the combat equipment, spare parts, and repair services without which the Polish military cannot function efficiently.

The Polish export offer must be more attractive. This requires, above all, modernizing arms production and enhancing its competitiveness. Seen from this standpoint, it is highly important to complete as soon as possible the restructuring of the defense industry as based on the application of systemic solutions serving to reduce manufacturing costs and improve the quality of products (by, among other things, propagating ISO 9000 standards) as well as to promote R&D effort. A factor facilitating the introduction of such far-reaching changes may be the gradual growth of cooperation in coproduction between Polish defense-industry enterprises and foreign partners, especially NATO countries (France, FRG) and neutral countries (Sweden).

It is in the interest of our domestic arms industry that all major transactions concerning imports of military equipment follow the "offset" rule and be tied to the activation of domestic manufacturing of components of the imported equipment or to a compensating acquisition of Polish goods and services, including those of a civilian nature. Here the obligations ensuing from Poland's participation in the World Trade Organization should be adhered to.

The expansion of arms exports is being complicated by the lack of government support in the form of bank loan guarantees. Granting advance credit is a common practice in the world trade in arms, and the preference of cash settlements (because of the poor condition of the enterprises exporting military equipment) has been a reason for the relatively low attractiveness of Polish export offers compared with the terms of sale proposed by foreign competitors. Such credit is practically indispensable when exporting expensive armament systems such as armored equipment or helicopters, and, at the same time, it clearly entails some risk. That is why the related negotiations should be held only with credible and creditworthy customers, and every such transaction must be preceded by a thorough cost-effectiveness analysis. At the same time, the importance of the political factor, which always plays a role in the arms trade, should not completely overshadow the economic factor because this threatens a freeze of the funds spent, with little chance of recovering them (consider, for example, Iraq or Syria) [as published].

The question of the competences of the various government agencies maintaining contacts with customers interested in acquiring Polish military equipment should be clearly resolved. At present, fairly often we are dealing with the absence of coordination in this respect among the military institutions, the Ministry for Foreign Economic Relations, and the Ministry of Foreign Affairs.

Much is yet to be accomplished as regards marketing and promotion, which have not so far been a forte of the arms-trading enterprises.

An active role in this respect should be played, emulating other countries—for example, France—by Polish diplomatic and trade missions. Practice shows that it is difficult to sell arms that are not used by the country's own military, which in Poland's case is hardly a rare situation. This complicates sales because organizing displays of equipment under normal operating conditions or directly within military units is a highly effective form of promoting exports.

Creating favorable conditions for the expansion of arms exports requires both certain financial outlays and greater promotional activity by enterprises and state institutions. This effort is worth undertaking.

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Firm Exporting to Russia, East Profiled

95EP0082A Warsaw RYNKI ZAGRANICZNE in Polish 16 Mar 95 No 32, p 7

[Article by Jan Zabicki under the rubric "Polish Business in the East": "Consistence and Persistence as the Foundation of Existence and Development"]

[FBIS Translated Text] *The Kera Trading Company is certainly one of the companies which has managed to adjust to difficult conditions in trading with the East.*

It is no accident, either, that the company has ended up at the head of the group of Polish export leaders, being 12th in the ranking of the Ministry for Foreign Economic Cooperation and RYNKI GOSPODARCZE. This is shown by the volume which has been growing year after year (last year, the volume topped $12 million) and also by the developmental status of the company, which may be even more important.

Everything began as recently as three years ago. Dr. Jerzy Piotrowski, the company chairman, said: "It began from scratch, meaning that we had to discover both the concept of cooperating with the East and an adequate organizational form to implement it. The company is not associated with any state-owned structures."

It was precisely trading in the Eastern market that became the strategic objective of the company. It was a deliberate choice rather than the outcome of random actions. Out of this grew the search for trading companies and organizations which guaranteed large volumes (not necessarily at the highest prices) and the positioning of a representative office in Moscow which made it possible for the entire company to operate.

Dozens of negotiations are held at the office in Tishinskiy Lane in Moscow; this is where draft contracts originate. Dr. Edmund Tomaszewski, the director of the representative office, and a few members of his Polish-Russian staff welcome all guests as potential counterparts and partners, although on frequent occasions it is known from the very beginning that this is only a preliminary conversation without any commitments.

What does the company do?

Anodic matter from Skawina and pitch from Zabrze are the key export items. These goods are shipped directly from Polish enterprises to processing facilities in Krasnoyarsk, Sayanogorsk, and Bratsk (about 30,000 metric tons were exported last year). The pitch contract is interesting, although very complicated. For technical considerations, pitch is carried in heated tank cars which the company has found in Ukraine. Three trains have already been put together in this manner. This year, the plan is to ship from Zabrze about 20,000 metric tons of this raw material, which is needed to produce anodic matter.

Foodstuffs, mainly frozen fruits and vegetables, juices, and butter, are the second area of exports. Last year, the value of trade in this area came to about $100,000.

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Kera Trading exports only Polish-produced foodstuffs, although it would often be easier to sell cheaper so-called end batches from the West. However, the company proceeds from the assumption that if one wishes to perpetuate one's standing in the Eastern market one must have a preference for one's own products.

As far as imports are concerned, the company organizes deliveries of fuel from Belarus to Poland, and also imports gas (propane-butane) from the refineries in Kirishi and Perm. Last year, the company delivered about 25,000 metric tons of diesel fuel which is in great demand in our country.

This is not the end of the list of goods which the company has to offer in trading. It intends to broaden its offerings, sticking, however, with the main avenues for development and emphasizing foodstuffs. For example, the implementation of a contract for the importation of 6,000 metric tons of brewery-grade and fodder barley will begin shortly.

Characteristically, in conversations with the staff of the company both in Moscow and Warsaw one does not sense discontent or get to hear complaints about so-called objective difficulties. Is this to say there are none? Of course, they exist. However, they are referred to in terms of expectations and stipulations. They concern primarily the banking system and insurance.

The chairman of the company said: "We would gladly pay higher rates for banking services, but on the condition of obtaining guarantees in Eastern markets. It is also a bad thing that the notion of reexports in trade with Russia is disappearing. As is known, reexports are unprofitable because of the protracted procedure for recovering the cost incurred."

The company, and especially its representative office in Moscow, expect a lot from the future Polish Business Center here which the ministry and the commercial counsellor have been talking about. The point is for this initiative to come to fruition as soon as possible because the center can play an important role in improving commercial and production contacts with Russian partners.

We must say that the optimism of the company staff is reflected in the routine operation of the representative office. The businesslike atmosphere of negotiations, a respectful attitude toward customers, meticulous settlements, and punctual deliveries are the textbook features of the company which feels at home in Russia.

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Briton Arrested for Dealing in Counterfeit Money

AU1105130195 Bucharest ROMANIA LIBERA in Romanian 9 May 95 p 1

[Report by Ion Medoia: "The Network of 5,000 Lei Bills"]

[FBIS Translated Text] Roland Sandersen, a British subject caught openly dealing with counterfeit 5,000 lei, pound sterling, and dollar banknotes, has been arrested in the town of Caransebes. He had begun to deal in counterfeit money a year ago. By means of his "clients," consisting not just of close friends but also private companies, the fake money was not merely circulated in that part of Banat but also in other towns in the country.

There were 284 forged 5,000-lei bills that even got to the capital city. His network, however, operated in a more prudent way than the Italian Mafia, members of which were arrested at the Intercontinental Hotel in Timisoara, when the police confiscated counterfeit 5,000-lei banknotes worth 10 million lei.

Tinca on Seriousness of NATO Integration Issue

AU1205122195 Bucharest Radio Romania Network in Romanian 1000 GMT 12 May 95

[Statements by Romania's Defense Minister Gheorghe Tinca, in Bucharest on 12 May—recorded]

[FBIS Translated Text] Currently on a two-day visit to Romania, Assistant Secretary of Defense Deborah K. Lee was received this morning by Gheorghe Tinca, Romanian minister of national defense. Here is the statement Tinca made at the end of the meeting:

[Begin recording] We have reviewed current relations between the Romanian and the U.S. Armies. We congratulated each other on the success of the intermilitary program, and we expressed our belief that this program should be continued.

I have presented a few of our ideas and assessments to Mrs. Deborah Lee in connection with NATO expansion or the integration of East European countries in NATO, stressing the need to approach this issue in a realistic manner, in a way that takes into account the real security interests of all of the countries in the Central European zone. We have stressed the need for the process of integration to be treated with the utmost seriousness and a lot of realism, pointing to the fact that we have probably already entered a new stage of concrete facts, of real preparations to reach a level compatible with that of Atlantic Alliance countries. This is a very serious process that requires human and material efforts. We also mentioned that Central European countries must be granted not only political but also material support. It seems that there are already some possibilities and sources available in this respect. The U.S. side has some funds that will be activated, and we said that, when this happens, and if those funds are substantial, we would very much like to benefit from this assistance. We even indicated some possibilities and concrete projects for which we might receive assistance. [end recording]

Our correspondent Dan Preda informed us that Mrs. Deborah R. Lee also met with representatives of Defense Commissions in the Senate and the Chamber of Deputies this morning

Iliescu on Bulgarian-Hungarian Basic Treaty

LD1105145395 Budapest Kossuth Radio Network in Hungarian 1000 GMT 11 May 95

[FBIS Translated Text] Following high-level Hungarian-Romanian talks in Moscow, Romanian President Ion Iliescu spoke to Romanian Television. Tibor Bogdan reports on this interview:

[Bogdan] According to Ion Iliescu, in the matter of [the Council of Europe's] Recommendation No. 1201, Romania and Hungary will no doubt find a formula acceptable to both sides. Iliescu said this to a Romanian television station, Pro TV [station name as heard], in connection with his meeting with Hungarian President Arpad Goncz on the occasion of V-E Day in Moscow.

Iliescu said that during their cordial talks, they agreed that politicians of both countries should refrain from expressing opinions on Recommendation No. 1201 in an excessive manner. Romania remains open to the finalization of the basic treaty, Iliescu stressed at the end.

Marcel Dinu, the Romanian foreign affairs state secretary, has also discussed the basic treaty with the Foreign Affairs Committee members of the two houses of parliament. They have agreed that the Romanian side can make certain concessions regarding the disputed recommendation provided Hungary is willing to forego paragraph No. 11, which in Bucharest's interpretation makes it possible to form territorial autonomy on an ethnic basis. Romania does not even rule out the possibility of coming to an agreement with the Hungarian side on certain points of this paragraph. Following the talks, Marcel Dinu said that, in his view, the two sides are very close to a final compromise.

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Recommendation 1201 Said 'Erroneously Interpreted'

AU1205090895 Bucharest Radio Romania Network in Romanian 1930 GMT 11 May 95

[Statement by Attila Verestoy, member of the UDMR parliamentary group, in Bucharest on 11 May—recorded]

[FBIS Translated Text] A meeting of the parliamentary opposition parties was held in Bucharest tonight at the invitation of the Democratic Party. The meeting was attended by representatives of the Civic Alliance Party, Democratic Union of Hungarians in Romania [UDMR], Liberal Party '93, and Romanian Social-Democratic Party. UDMR representative Attila Verestoy also attended the meeting, and referring to the contradictory discussions on the concept of local autonomy and self-determination on ethnic criteria, stated to our reporter Maria Cristea the following:

[Begin Verestoy recording] If we do not strive to be very precise in expressing ourselves, and do not find the exact judicial terminology that should correspond to European models, we might provoke suspicion or erroneous interpretations. Therefore, we must make one fact clear: These opposition parties that have joint objectives and preserve their individuality are evidently not united in the acceptance of European standards. Nowhere is it included in these standards that we would want to establish ethnic enclaves. Thus, in this respect, we have to present things very clearly and show all the people in this country that Recommendation 1201 can be erroneously interpreted—and in fact this is being attempted.

And who is trying to do it? Only those in power and the coalition that currently forms the government arch. They are trying, and unfortunately succeeding, in advancing an interpretation that claims that an ethnic enclave is desired on the basis of a European document. There has been no such desire. The European norms, in the case of such regional-territorial autonomy, are valid for the population living in that region. The norms do not differentiate between a relative majority of a minority in this situation and [words indistinct] but give increased prerogatives to those local administrations that can solve specific problems in a European manner.

This is Europe's recommendation for us. But we have to have the desire to implement it. And I believe that the role of the opposition will be to make Romania, for its own benefit, become a country that is compatible with European countries. [end recording]

PD's Severin on 'Chain of Lies' in Foreign Policy

AU1205104095 Bucharest AZI in Romanian 4 May 95 p 3

[Article by Iulia Rosca: "Directive 508—Lies Cover the Lack of Political Will"]

[FBIS Translated Excerpt] Yesterday morning, two members of Parliament belonging to the red coalition attacked Adrian Severin [deputy president of the Democratic Party, PD] in the plenary meeting of the Chamber of Deputies (albeit with most members absent) and accused him of supporting the principle of having Romania monitored according to the Council of Europe [COE] program, and of active participation in the efforts to "exclude" Turkey from the European forum.

In connection with the recent "flow of declarations" by Adrian Nastase [executive president of the Social Democracy Party of Romania, PDSR] and other representatives of the current leadership, and with the speculations that appeared in the press regarding Recommendation 1201, all these visceral reactions made Mr. Severin hold a news conference. Severin, who has been accused of treason, detailed every point of the mechanism of the chain of lies that hides the incontestable truth: namely, the lack of political will manifested by the Vacaroiu executive in the extremely important sector of foreign policy. Severin did not fail to point to the effectiveness with which the specialized services are working at manufacturing and disseminating diversionist rumors that serve the interests of the "great neighbor in the East," and are blocking Romania's real integration into European structures. In other words "The PDSR's position is Europophobic—not Euroskeptic—and flagrantly contradicts even President Iliescu's declarations."

Nastase's statements were characterized as a "hysterical, anti-European, and anti-Romanian message," which surprised both Romania and the COE. In September 1993, Romania agreed with much ado to the endorsement of Recommendation 1201, since without it admission to the COE was not possible; then the Romanian authorities pledged to respect this recommendation. If acceptance had been an attack against our national security, it would mean that those who signed the letters of commitment committed an act of national treason. At that time, the Parliamentary Assembly of the COE also decided to begin monitoring Romania—that is, to check how this country respects the commitments that it assumed. This was the only procedure that accelerated the process of our country's entering the COE, and we must constantly work toward access to European and Euro-Atlantic structures, the attitude of Russia, with its imperialist nostalgia, which is not prepared to have common borders with Europe at Smolensk, compels us to

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this act. Russia's attitude poses a real danger, and alone, we cannot manage. "We are not a superpower, so we cannot have the lack of morals of a great power," said Severin. Any failure to observe commitments destroys the unique guarantee that we can offer: namely, to have our word trusted. "This minimal trust is constantly being undermined by the current government. We cannot afford to call the bear 'uncle' until we are safe across the bridge. We must keep our word."

The claim that the Directive 508—referring to the respect of the Council of Europe member countries' commitments—is not compulsory unless validated by the Council of Ministers is "a fat lie." The truth is quite the opposite of what Nastase said—who confused the actual lack of subordination of the Romanian Government to Parliament with an imaginary similar situation between the Council of Ministers and the Parliamentary Assembly of the COE. In fact, nobody will ask for the endorsement of this directive by the Romanian Parliament. And if anything happens, this can be only a punishment applied to the Romanian delegation, whose mandate to participate in the procedures of the parliamentary assembly could be suspended.

As far as the last-minute attitude of PNTCD [National Peasant Christian-Democratic Party] Senator Valentin Gabrielescu is concerned, Mr. Severin said curtly: "This is another way of conducting politics." Nevertheless, he did not conclude before handing over to the representatives of the press a copy of Declaration 236 on respect for the rights of national minorities in Romania, also signed on 10 February 1995 by the PNTCD senator, who supported the need to continue monitoring Romania.

To call Article 11 the major obstacle in the path of signing the basic treaty with Hungary is a paradox, considering that in Strasbourg both PNTCD Senator Radulescu Botica and [Hungarian] Prime Minister Gyula Horn stated that ethnic autonomy for the Hungarian minority in Romania is not a subject for discussion. [passage omitted] Who is interested in obsessively raising suspicions of abuses in the interpretation of this article? Who aspires for the warm light coming from the East? Because the voices of extremists, whether they belong to the UDMR [Democratic Union of Hungarians in Romania] or the PDSR and company, do not have the power of law.

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Izetbegovic Sends Protest Letter to Butrus-Ghali

LD1105214095 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 11 May 95

[Letter sent by Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, to UN Secretary General Butrus Butrus-Ghali on 11 May—read by announcer]

[FBIS Translated Text] At a joint session today, the Presidency and the Government of Bosnia-Herzegovina examined the exacerbated political and humanitarian situation in Bosnia-Herzegovina and urged the following steps:

1. The immediate reopening of Sarajevo Airport for humanitarian flights and of the Butmir-Dobrinja section of the Blue Route;

2. An immediate end to the resettlement of Serbs from Western Slavonia in Bosnia-Herzegovina.

I think that you are aware of the fact that your special envoy Yasushi Akashi supported this action and that the United Nations provided logistic support for the exodus of Croatian Serbs to Bosnia, including that of armed soldiers.

This unlawful action is followed by expulsions of Bosniak and Croat people from the Serb-occupied part of Bosnia-Herzegovina. Any rule of international law would define this as a specific form of genocide by way of changing the ethnic structure of an area under temporary occupation, which the United Nations should not support in any way.

We believe the above two requests to be the minimum the UN administrative leadership could do in response to blackmail and disrespect for the norms of the world's political system.

I take this opportunity to inform you that the citizens of Sarajevo and of other protected areas are exposed to Serb artillery attacks every day. You know who prevented the latest NATO air action, and for what reason, which encouraged Karadzic's Serbs to carry on with their killing of innocent civilians in protected areas.

Because of its important nature, I am sending you this letter via Bosnian UN Ambassador Muhamed Sacirbey. I beg you to make the content of the letter known to the participants in tomorrow's meeting in Paris, who will be examining the realization of the UN mission in Bosnia-Herzegovina, we read in President Izetbegovic's letter to Butrus Butrus-Ghali.

Natural Gas in Sarajevo Reaches Critical Level

AU1205090795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0800 GMT 12 May 95

[FBIS Translated Text] The supplies of natural gas reaching Sarajevo are critically low. Yesterday the pressure dropped even further, as did the amount of gas entering the city. The amount of gas available to Sarajevo at the moment is not sufficient to provide regular supplies for consumers, particularly during the day, owing to the very low pressure in the city gas network in almost the entire area to which [words indistinct].

This afternoon, consumers in the districts of Centar and Stari Grad are to be supplied with gas, reports the Sarajevogas service.

Karadzic Threatens To Unite With Krajina Serbs

AU1105140695 Paris AFP in English 1309 GMT 11 May 95

[Report by Peter Cunliffe-Jones: "Karadzic Piles On the Pressure"]

[FBIS Transcribed Text] Sarajevo, May 11 (AFP)—Rebel Serb leader Radovan Karadzic threatened Thursday [11 May] to unite Serbs in Bosnia and Croatia, and piled more pressure on Sarajevo ahead of a series of key UN meetings over UN strategy in the Balkans.

UN officials privately said Karadzic was seeking leverage with which to force the world body to lift sanctions and give him international recognition. Speaking at Bosanska Dubica in northern Bosnia Thursday, Karadzic said there is "nothing standing in the way of unification" of the rebel Serbs from Bosnia and Croatia, following the Croatian attack against the Serbs at the start of May.

Farther to the south, the Serbs tightened the noose around the Bosnian capital, adding a new restriction to UN movement and continuing overnight firing on the city.

The Serb leader, who knows how concerned the United Nations is by warnings that the rebel Serbs might join forces, has issued regular threats of tough joint action ever since the Croatians sent troops into Serb-held areas in eastern Croatia nearly two weeks ago.

The Serb leader is "acting tough in order to put more pressure on the UN to agree to his key demands," a UN official said privately Thursday. The Serb leader, who has regularly rebuffed international attempts to get him to agree to a roughly 50-50 share of Bosnia, first wants the outright lifting of sanctions on Serbs

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and international recognition for the Serb land grab in the country and only then will promise peace and negotiations.

Apparently seeking to up the pressure, Bosnian Serb forces Wednesday unleashed a fierce infantry and artillery attack on a Croat-held pocket in a key area of northern Bosnia adjoining the Croatian border, though without apparently breaking through. The Serbs "failed in their attempt" to break through Croat lines in the Orasje pocket, in the far northeast of Bosnia, in an area adjoining the Croatian border, UN Protection Force spokesman Lieutenant-Colonel Gary Coward said Thursday.

"They probably succeeded in pushing the confrontation line 200 metres (yards) or so to the east," he said, adding that the attack "could also be seen as something of a demonstration."

In Sarajevo, under siege ever since the Serbs unleashed their war in April 1992, the Serb leadership added insult to recent injury by curtly informing the United Nations Wednesday it wanted at least 24 hours notice for any UN observers, civil police and even senior commanders wishing to cross a Serb checkpoint. After two quiet months at the start of the year, shooting and shelling resumed in mid-March and in the first week of April the Serbs tightened restrictions on the city, shutting the UN-controlled airport by threatening incoming planes, and renewed firing on the mountain route into the town.

Against this background, the UN has effectively declared itself unable or unwilling to respond and in Paris Thursday, UN Secretary General Butrus Butrus-Ghali met French Foreign Minister Alain Juppe to discuss French threats of a total withdrawal of its troops. The UN chief is then to chair a meeting of the top UN officials on the former Yugoslavia Friday to discuss what one UN official here Thursday called the "dire and deteriorating situation in Bosnia and Croatia."

Butrus-Ghali is due soon to report to the UN Security Council on the situation with UN peacekeepers in Sarajevo pleading increasingly loudly for a "clarification" of their confused mandate in the Balkans. There at least the UN has won accord from the warring parties with the Bosnian Serbs dismissing the operation here as increasingly "irrelevant" and the Bosnians calling their mandate "absurd".

Sarajevo Radio Releases War Casualty Statistics

AU1105183995 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 11 May 95

[FBIS Translated Text] In Bosnia-Herzegovina, 144,415 persons have been killed, 16,750 of whom were children. In Sarajevo, [words indistinct] (?10,132) civilians, (?1,575) of whom were children.

The number of injured since the beginning of the aggression to date has climbed to 168,650 persons, of which (?35,448) were children.

Regarding the quantities of the food distributed in the Republic of Bosnia-Herzegovina in the period from 1 May to 7 May 1995, 3.88 percent of requirements were satisfied in Tuzla and 37.83 percent in [word indistinct].

UN Convoy of Serb Refugees Arrives

AU1205114295 Knin Srpski Radio Krajina Network in Serbo-Croatian 1900 GMT 11 May 95

[FBIS Translated Text] After 158 people, mostly women, children, old people, and a small number of men fit for army service, who had been detained in occupied Western Slavonia, were released last night and crossed over to the territory of the Srpska republic, tonight, a little after 2000, another UN-escorted convoy with 122 Serbian civilians from Pakrac and Okucani Municipalities crossed the Sava Bridge.

According to Djordje Vodogaz, the representative of the reception center for Western Slavonia refugees, this convoy mostly consisted of women, children, and the elderly, who were immediately sent on to reception centers.

Western Slavonia Refugees Want To Go to Serbia

LD1105185295 Belgrade SRNA in Serbo-Croatian 1712 GMT 11 May 95

[Received by fax]

[FBIS Translated Text] Banja Luka, 11 May (SRNA)—Refugees from Western Slavonia, temporarily accommodated in municipalities of the Banja Luka area, today sent a letter to the government of the Srpska republic with a request for their transfer and accommodation in Serbia, spokesman of the Okucani municipal assembly Djordje Vodogaz has said.

If their collective departure is not approved, the refugees will set off for Serbia on 13 May of their own accord, the letter says.

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Vodogaz said that as many as 99 percent of refugees were in favor of going [to Serbia], but that the governments of the republic of Serb Krajina and Serbia have not yet decided how to solve this problem. Serbia believes, however, that it would be better for the refugees to remain in the Srpska republic. The Serbian commissioner for refugees, Bratislava Morina, today said that "it would be better for the refugees to remain in the place to which aid for them is being sent, than to come to Yugoslavia."

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Janvier Confers With RSK Army Commander

LD1105140195 Belgrade SRNA in Serbo-Croatian 1320 GMT 11 May 95

[Item received via fax]

[FBIS Translated Text] Knin, 11 May (SRNA)—French General Bernard Janvier, the UNPROFOR [UN Protection Force] commander for former Yugoslavia, and who is paying a visit to Knin today, could not say precisely how many people were killed in the Croatian aggression in Western Slavonia.

Following a meeting with Serb Krajina Army Commander Lieutenant Colonel Gen. Milan Celeketic, Gen. Janvier stated that UN representatives are still collecting details on the number of casualties in that area.

"UN representatives have full freedom of movement in that area, and at the same time the treatment of Serbs who are in Croatian prisons is under control," Gen. Janvier added.

Celeketic and Janvier discussed the situation in other separation zones between Croatia and the republic of Serb Krajina [RSK], which according to their joint conclusion is unsatisfactory, as the Croatian Army has only partially withdrawn.

Belgian Aide Denies UN Troop Evacuation Plan

BR1205064895 Brussels DE MORGEN in Dutch 11 May 95 p 1

[Article by "KvdB": "Belgians Caught Between Two Fires in Baranja"]

[FBIS Translated Excerpt] Beli Manastir/Zagreb—[Passage omitted] The Belgian ambassador in Croatia, Frans Hintjes, told DE MORGEN yesterday that the situation in the Baranja was very tense. "The UN troops had to halt their activities," he said.

Colonel Van Put, commander of Belbat IX, the Belgian battalion in the Baranja, put this comment in perspective in an interview with this newspaper. But he did admit that the freedom of movement of his troops was being restricted. "On the one hand the Croats and Serbs ban us from using certain roads, and on the other hand we have decided ourselves to avoid unnecessary movement. Nor are there any night patrols anymore," he said.

The UN troops are still manning the observation posts which are right on the front line. However, they have not yet come under fire, but Van Put admits that "it is not a comfortable position."

"The Belgians are caught between two fires in the Baranja, but they continue to carry out their duties to the best of their abilities," army spokesman Colonel Hertoghe said. And what are these duties? "Being present between the warring parties," he said.

This newspaper also learned that terrified UN troops have also been in contact with members of their families in Belgium. They say that they are not allowed to leave headquarters in Beli Manastir, located in the north.

"My son reassured me," a mother said. "He assured us that the Army has made provision for a possible evacuation through neighboring Hungary."

Defense Minister Karel Pinxten (CVP [Christian People's Party]) and the Army deny that an evacuation is being considered. [passage omitted]

RSK Leaders To Discuss Federation With Pale

AU1205113895 Knin Srpski Radio Krajina Network in Serbo-Croatian 1900 GMT 11 May 95

[FBIS Translated Text] Rajko Lezajic, the republic of Krajina assembly assembly chairman, has scheduled the third sitting of the first regular assembly session for 18 May in Knin, stated the assembly information service.

Chairman Lezajic has proposed that a report on the aggression against Western Slavonia and a vote on the implementation of the UN mandate on the territory of the republic of Serbian Krajina [RSK] on the basis of a proposal by the supreme defense council be the main items on the agenda. The assembly is expected to appoint a state commission for the implementation of the Serbian federation project that was conceived by the republic of Krajina assembly.

Lezajic proposed that the session adopts the annual financial budget report bill for 1994 and the 1995 budget bill, and passes bills on foreign exchange policy, the balance of payments for the current year, and monetary policy.

Krajina Serbs Report Attacks on Eastern Slavonia

AU1205114595 Knin Srpski Radio Krajina Network in Serbo-Croatian 1900 GMT 11 May 95

[FBIS Translated Text] Yesterday, the Croatian aggressor attempted to penetrate Serbian defense lines on several locations in the Slavonija-Baranja Corps theater of operations. The most intensive activity was reported in the direction of Bilj in Baranja, and in Antunovac Tenjski and Ernestinovac in Eastern Slavonia, stated the republic of Serbian Krajina army general staff information service. Serbian defenders repelled the attacks without casualties and forced the enemy to withdraw to their original positions, inflicting heavy losses on them in manpower and hardware. The Croatian Army fired one mortar from the direction of occupied Jasenovac in

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an attempt to provoke a response on Banija. The aggressor brought some units of so-called Tigers to Kamensko, near Karlovac. Sporadic small-arms provocations originated from the direction of Prkos and Ribnik, in the Gospic area, where the enemy is entrenching. Yesterday and overnight it was quiet in northern Dalmatia, but intensive regrouping, entrenching, and reconnoitring of the Croatian Army are still reported.

Small-arms provocations by members of the 5th Corps of the so-called Bosnia-Herzegovina Army were reported yesterday along the border with the republic of Serbian Krajina's Banija, Kordun, and Lika Corps.

B-H Army Attacks Krajina Serbs Near Suva Medja

AU1105125595 Knin Srpski Radio Krajina Network in Serbo-Croatian 1900 GMT 10 May 95

[Report by Ljiljana Letica-Bobinac]

[FBIS Translated Text] Overnight and this morning, members of the Muslim [Bosnia-Herzegovina Army] 5th Corps from the Cazin Krajina [in Bosnia-Herzegovina] carried out a combined artillery-infantry attack on the positions of the republic of Serbian Krajina's Banija Corps. The attack was successfully repulsed without losses on the Serbian side. Ljiljana Letica-Bobinac has more about that and other news from Banija.

[Begin recording] Peace in the republic of Serbian Krajina 39th Corps theater of operations has again been disturbed overnight and this morning by ustasha formations and fundamentalists forces of the 5th Corps of the so-called Bosnia-Herzegovina Army, stated the Banija Corps information service. During an attack that lasted several hours, the Croatian Armed Forces used various types of small arms to target the Kostajnica Brigade's defense lines in the area in and around Sunja. There were no wounded on the Serbian side.

There was no peace along the separation lines between the republic of Serbian Krajina and the Cazin Krajina either, as units of Dudakovic's 5th Corps used small arms to target positions of the Dvor and Glina brigades in the area around Suva Medja. Serbian soldiers responded to the enemy provocations, after which there was respite in this part of Banija, says the same source.

And now some news from the municipalities of Caprag and Petrinja. An extended session of the war presidency was held yesterday in the Caprag Municipality, discussing tasks of the war presidencies of local communities. The session analyzed measures for the defense of civilians and material and cultural assets, and determined additional activities. Normal functioning of civilian life and joint and organized resistance are our main goal and orientation. Sympathizing with the anguish of the Western Slavonia Serbs, all Caprag local communities will organize collections of humanitarian aid for Serbian refugees from that part of Krajina. The participants of yesterday's session observed a minute's silence for the Western Slavonia Serbs, determined not to allow another tragedy of the Serbian nation. The Miljevac Plateau, Medacki Dzep, Divo Selo, and Western Slavonia—this is the message to all Serbs from yesterday's session in the Caprag Municipality.

The women of Petrinja and the Petrinja Red Cross sent Western Slavonia refugees a truckload of humanitarian aid collected in the past couple of days in our town. Radio Petrinja correspondents will again cover the delivery of humanitarian aid and intend to record statements of 57 people who were released and arrived in the Gradiska area yesterday. The aid will be delivered to the Nova Topola refugee reception center, where most refugees are being accommodated. Apart from food and clothes donated by the inhabitants of Petrinja, the Red Cross, and the Gavrilovic plant [Petrinja meat processing factory], the refugees will receive aid collected by local village municipalities. Women working for Gavrilovic, who initiated the action, returned from their visit to the refugees and members of the Petrinja Union of Serbian Sisterhood also delivered aid.

Continued Fighting Reported

AU1105130395 Knin Srpski Radio Krajina Network in Serbo-Croatian 1900 GMT 10 May 95

[FBIS Translated Text] Yesterday morning, the Croatian Army and the Croatian Defense Council, from the occupied part of Mt. Dinara, targeted the wider Nist area with 20 multiple-rocket launcher projectiles, but without consequences, states the republic of Serbian Krajina army general staff today.

Intensive movement of the Croatian Army can still be seen in the Drnis region and on the Maslenica Bridge, while the enemy's army engineer work was reported on the Obrovac side of Mt. Velebit, the statement continues, adding that in the Gracac area of Lika the Croats used 20-mm guns and that small-arms provocations were reported in the republic of Serbian Krajina's Plasce Brigade theater of operations.

Sporadic small-arms provocations by members of the 5th Corps of the so-called Bosnia-Herzegovina Army reportedly took place overnight targeting Serbian defense lines in the areas of Baljevac and Zeljava Airport.

According to the republic of Serbian Krajina military command, Croatian Army combat activity has intensified on Kordun. The Croats are forcing civilians to move

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out of some border villages. The town of Karlovac is on red alert [prvi stepen borbene gotovosti].

Yesterday, members of the 510th and the 517th Brigades of the Bosnia-Herzegovina Army's 5th Corps again attempted to penetrate Serbian defense lines in the area between Hadzin Potok and Bogomolja. The fighting left two Serbian soldiers dead and four wounded, but inflicted heavy losses on the Muslim side. The attack was successfully repulsed.

In the region in and around Petrinja yesterday and last night, the Croatian aggressor used small arms, rifle grenades, and 60-mm mortars, but without consequences, says the statement.

An infantry breakthrough attempt by Dudakovic's [Bosnia-Herzegovina Army 5th Corps commander] followers was foiled equally successfully and without consequences in the republic of Serbian Krajina's Glina Brigade theater of operations.

In the Tordinci area, in Eastern Slavonia, where the ustashas attempted to penetrate the Serbian defense lines two days ago, the enemy continues entrenching and reinforcing positions, ends the fighting report of the republic of Serbian Krajina army general staff information service.

Government Continues Extermination of Serbs

LD1105140095 Belgrade TANJUG in English 1303 GMT 11 May 95

[By Nevena Marcic]

[FBIS Transcribed Text] Belgrade, May 11 (TANJUG)—By launching an aggression on Krajina Serb settlements in Western Slavonia on May 1, Zagreb continued the practice of ethnic cleansing of the Serbs in the sight of the international public.

According to the 1991 census, about 120,000 Serbs lived in Western Slavonia. Serb Krajina authorities and U.N. peacekeepers estimate that today, only a few thousand Serbs live in Western Slavonia but they are surrounded by Croatian troops. Ethnic cleansing of the Serbs in Croatia started four years ago, after Croatia launched a war of secession from the former Yugoslavia.

A Yugoslav Government memorandum on the violation of human and civil rights of the Serbs in Croatia, which was sent to the United Nations, said that Croatian authorities had expelled more than 350,000 Serbs from the Croatian-controlled territories since June 1, 1991. In the Croatian practice of ethnic cleansing, Western Slavonia is the most drastic example.

The first mass expulsion of the Serbs from the region took place during the Croatian offensive of December 1991, when, according to the Yugoslav Government memorandum, 70,000 Serbs were expelled and 14,000 others killed in one attack alone.

The memorandum said that Serbs were completely ethnically cleansed from 183 and partly from 87 villages and 10 towns in Western Slavonia. 'Quiet' expulsions of Serb civilians from Croatia continued in the following years, but another wave of mass expulsions of Serbs took place in western Slavonija in May 1995, when the Croatian Army attacked the remaining Serb settlements. Without drawing any malicious parallels, objective observers cannot help noticing that Serbs in Croatia are still being killed, taken to camps, converted into Catholicism and expelled.

Recent HDZ Activity Concerning Istria Viewed

AU1205110995 Rijeka NOVI LIST in Serbo-Croatian 19 Apr 95 p 2

[Commentary by Drazen Vukov-Colic: "A Double Defeat"]

[FBIS Translated Text] Croatian political morals have recently suffered a double defeat in Pula, and if they ever do achieve a recovery, it will be a long, difficult, painful, and uncertain one. The party in power obviously did not succeed, through a kind of overnight guerrilla strike, in compensating for everything it has neglected in Istria in the past four years, while the Istrian election winners stumbled clumsily in their first real attempt at securing Slovenian and Italian support for their dream of a transborder region. To a great extent it was their own fault—not only that of some of the media and the state television—that a great part of the public had the impression they were barely disguised conspirators, while official Zagreb again proved its superb ability to perform the elephant dance in a greenhouse. In this both sides were obviously overcome by the sort of panic that proves that it is precisely the Croatian political winners who have not yet learned to walk in long pants. Many of the things that happened in Pula resembled adolescent sulking more than they bore witness to long-term political considerations, proving once again that Croatia cannot be ruled according to de Gaulle-like models, and that this kind of Istria has not matured enough to win the well-deserved role of Croatian Bavaria.

That which calls itself the only real and possible Croatian state has evidently grown old prematurely by being a slave to violent dogmas; that which wishes to call itself confirmed Europe is running headlong ahead of the real political time: Neither Slovenia nor Italy want

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to have "states within states," or "states across states." However, in this one should not forget how long Croatia was a "triunity," while Istria was always—until only recently—somewhere else: It undoubtedly is a historic region that is now divided between three countries, but it cannot become a new "triunity" on its own unless it wants to destroy itself. At times Zagreb—or at least that part of Zagreb in which the onetime Zagreb has been almost irretrievably lost—likes to behave in Croatia as Belgrade used to behave in Yugoslavia, so it loses political battles before it has won the war, and it seems that a kind of loser-like masochism has been ruling official Croatian politics: Croatia is tolerated abroad, but it is not loved, Croatia will lose Istria again, Croatia will again be pushed into a new Yugoslavia—as if one's own size is primarily measured by the size of real or invented enemies. Such politics welcomes any exaggeration, and is stranger to any open discussion; it keeps appealing for togetherness, while it almost irretrievably divides some of the most important things.

What this angry Istrian performance has proven so clearly offers much longer-range conclusions than the discussion that has just started, which is what came first, the chicken or the egg. Is the Croatian Democratic Community the only one to blame for "having lost Istria," or is the Istrian Democratic Congress the happier the more rashly the Croatian Democratic Community bears the brunt? In fact, the issue is the conflict of two winning parties that base their legality on mere mathematical ascendancy, while on the inside they are eaten up by almost unbridgeable opposites. They are still movements rather than integrally completed parties, who have had to bear too great a brunt of almost absolute power: They are hardly prepared for an agreement with someone else, because they have not agreed between themselves. The armor they have put on barely conceals extremely thin skin, so they live in mortal fear, like a crab that dies as soon as you pierce, even in one spot, his protective membrane.

It is because of all this that Croatia craves that kind of political maturity that will express its original spiritual, historical, and territorial diversity in the most suitable way: Neither as a state nor as a voluntary community of regions can it tolerate one-party reins, even when they are—depending on the place—made up of very different and colorful threads. Its unity can only be the unity of consensus, based on a coalition-like division of power, in order not to start resembling horns in a sack, which some infallible someone will then try to coordinate with the stomping of the hooves. Otherwise it will keep running in circles, afraid of losing another Istria or Dalmatia before it has even retrieved the "Krajina"; otherwise it will keep trembling in the fear of some new Yugoslavia, because it has not been cured of its monstrous political heritage.

Opposition Parties To Form Coalition

95BA0222D Rijeka NOVI LIST in Serbo-Croatian 5 Apr 95 p 5

[Article by S. Modric: "The HDZ Is Preparing a New Election Law in Secret"]

[FBIS Translated Text] Zagreb—Slavko Degoricija, vice president of the HND [Croatian Independent Democrats], said yesterday in a party news conference that the HND would gladly run in a unified opposition bloc in the next election, "which is already making them nervous in the HDZ [Croatian Democratic Union]." According to Stipe Mesic, the party's president, this collaboration of the opposition in the election is very promising, because it is clear to all the parties that the HDZ can be opposed effectively only through a joint strategy. All the parliamentary opposition parties have already made preliminary bilateral agreements, Mesic said, "relations within the opposition are very close both in the parliament and in the field," so that formal entry into a firm election coalition is "only a matter of timing." The opposition is very cooperative and undoubtedly may come together in the election around Croatia's strategic interests, and one of the main ones, Mesic said, is to halt Croatia's slide into totalitarianism and dictatorship. Mesic suggests that the HSLS [Croatian Social Liberal Party], HSS [Croatian Peasant Party], HNS [Croatian People's Party], HND, and the regionals might agree on a joint approach to the voters. The "European parties of the left," which now have been completely purged of orthodox Communists, who, according to Mesic, have become ensconced in the HDZ and have decked themselves out as owners and capitalists, are also welcome.

Erosion Is Dispersing the Incumbent Party

In Mesic's judgment, the HDZ has no chance of winning as the rival of that opposition coalition in the election. That is, the incumbent party is made up of the "pigs in a poke" of mutually irreconcilable HDZ factions whose leaders are not even talking to one another, and all that holds them together is the convulsive endeavor to hold on to the privileges they have seized.

Only Djapic's HSP [Croatian Rights Party], Mesic forecasts, will join them in the election, because Djapic is evidently a "spokesperson of the HDZ."

Mesic has information that the incumbent party, under the conductor's baton of Smiljko Sokol, is already preparing a new election law in secret. But "everyone who up to now has taken a ride in Sokol's car

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has lost the election," Mesic concludes, offering his interpretation that the HDZ would have been the loser even in the last election if the opposition had not been disunited at that time. In the HND they believe that the HDZ would already have called for elections if—"instead of defeat after defeat"—they had behind them at least one victory on which they could mobilize the electorate.

Referring to Franjo Greguric's resignation as general director of INA "as merely the last piece of evidence that the incumbent party is being dispersed by erosion," Mesic expressed the conviction that the disintegration of the HDZ will continue.

The Resolution Is an Unclear Political Document

Yesterday's comment from leaders of the HDZ about the last resolution of the Security Council concerning the new mandate of the peacekeeping forces in Croatia was that "the mountain labored and gave birth to a mouse." Recalling that Minister Granic and the leadership of the HDZ proclaimed that resolution "historical, powerful, and strong," Degoricija, by contrast, judges that this is an unclear political document "which begs, proposes, suggests, but does not require anything." In the HND, they believe that the new resolution of the Security Council is the result of the Croatian president's excessively compromising policy. They say that the displaced persons have a right to be dissatisfied, because they remain prisoners of an erroneous state policy, which does not know when they will go back home or whether they will ever be sent back. Degoricija emphasizes that Croatia must work out its own precise program for reintegration of the occupied areas, which the parliament has made an obligation of the government, but the government still has not offered anything.

The leaders of the HND welcomed the decision of the Constitutional Court to nullify the election of judges of the Croatian Supreme Court organized by the State Judicial Council. The Constitutional Court, they said, has been opposing the degradation of the judiciary and the law-governed state, which in our country has been caricatured "by the desire of the HDZ to have complete control over the adoption of laws, execution of laws, and judicial arbitration of the enforcement of legality." It would be the honorable thing, Mesic believes, for the State Judicial Council to submit its resignation now, but "they did not get here honorably, so they will not depart honorably either."

HNS Opposes Privatization of Maritime Resources

95BA0222B Rijeka NOVI LIST in Serbo-Croatian 4 Apr 95 p 17

[Unattributed interview with Slavko Mestrovic, HNS deputy in the Croatian Parliament and member of the Board of Directors of the Privatization Fund; place and date not given: "Replace Contracts on Transformation With Contracts on Concessions"]

[FBIS Translated Text] Slavko Mestrovic is an angry opponent of the transformations and privatizations of maritime resources, he has been publicly advocating their cancellation, and precisely upon his insistence the Privatization Fund has finally put that topic on the agenda of its board of directors. That is why we asked Mr. Mestrovic on what basis he says that the transformations and privatizations of maritime resources are unlawful?

[Mestrovic] Maritime resources are part of the general public wealth, and because the general wealth cannot be anyone's property, not even the property of the state—it is clear that maritime resources cannot be anyone's property! They are the wealth of the entire nation and have been since Roman times; in all well-ordered, law-governed states, maritime resources have been outside the processes of sale and privatization....

[NOVI LIST] However, has there existed and does there exist a piece of legislation which supports your assertion?

[Mestrovic] Both the old law of the former Socialist Republic of Croatia, which was in effect right up until 25 January 1994, and the new Maritime Code state clearly that maritime resources cannot be privatized. To be sure, the first version of the Maritime Code, which the government proposed back in January 1994, did formally allow something of the kind, because the incumbent party had not accepted my amendment, which gave 100 percent protection to maritime resources. But the amendments of that law last September, i.e., amendment of Article 49 of the Maritime Code, which resulted from the initiative of 10 or so of us deputies—again made it impossible to acquire ownership of maritime resources. Which means that all the transformations andprivatizations of those resources are now un-

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lawful. And, of course, they must be nullified, rather than to honor the opinion of some to the effect that this is unlawful, but nullification of those transformations would be very damaging to Croatia.

My answer to that is this: Croatia will suffer still greater losses unless that situation is changed, because we will be transformed from a maritime country into a continental country! But those transformations and privatizations must be nullified for yet another reason: A state which does not respect its own laws—both before its own citizens and before the world—loses the legitimacy of a law-governed state. Just imagine, a high-level state official, the assistant minister for maritime affairs, is declaring that he hopes that the Maritime Code will not be enforced! That is unheard of!

The Agency Has Violated the Law

[NOVI LIST] It can be concluded from what you say that an important government institution, i.e., the Privatization Fund, has violated the law adopted by the state itself.

[Mestrovic] Yes, the Agency for Restructuring, the fund's predecessor, did unlawfully issue decisions to transform enterprises involving maritime resources! The Privatization Fund, which is the legal successor of that agency, ought to nullify all those transformations.

[NOVI LIST] Although you deserve most of the credit for finally making this an issue even in the fund, why did you not react this way much earlier, when the entire process of transformation was beginning?

[Mestrovic] I have been doing this constantly, and I have been raising this issue with both the government and the fund. However, there still is not enough awareness of the damage being done by this process in the state structure—and I am referring to high-level state officials.

[NOVI LIST] Maritime resources have been debated even by the Presidency of the HDZ [Croatian Democratic Union]. Can new winds be expected to blow after that?

[Mestrovic] I heard about that and heard even that talks had been conducted with the president of the Republic about privatizations of maritime resources. But the question is how that problem was presented to Dr. Tudjman!?

[NOVI LIST] Ivica Mudrinic, the minister responsible for this area, who is forecasting that it will take about five years to define the boundaries of maritime resources, is becoming more and more involved in the public debate of maritime resources! But has not the Maritime Code already defined those boundaries?

[Mestrovic] This is just a game whose purpose is to gain time and postpone enforcement of the code as long as possible. Minister Mudrinic is right only to a small extent: That is, the Law on Seaports, which is in a way complementary to the Maritime Code, must first go through parliamentary procedure, but it has not been adopted yet because they were waiting for the outcome of the debate of the Maritime Code, i.e., the destiny of Article 49. When the Parliament passes that law as well, then everything will be clear, and the boundaries of maritime resources will be known precisely.

We Will Raise the Issue of the Responsibility of the Minister for Maritime Affairs

[NOVI LIST] But the problem is only one of formal demarcation of those boundaries, not defining them?

[Mestrovic] Yes, they simply have not been marked, and when the Law on Seaports is adopted, that will no longer be a problem either!

[NOVI LIST] Because you advocate the uncompromising nullification of all transformations involving maritime resources—do you have an answer to the question: What happens after that?

[Mestrovic] Of course, concessions! That is the only solution. We, of course, cannot at this point simply tell people who have invested their money that it no longer belongs to them. A reasonable transition can be made, and the capital which owners of firms involving maritime resources have invested in that firm should be "transformed" into the price paid for obtaining concessions! And that should be done as soon as possible, so those firms can operate without hindrance. Which is to say that the unlawful decisions on transformations and privatizations should be replaced by decisions on concessions.

[NOVI LIST] Petar Sale, solicitor general of the Republic of Croatia, believes that this would signify a new nationalization, that is, that this would threaten someone's property rights.

[Mestrovic] Of course not, because the decisions on privatization of maritime resources have no legal foundation, so that the ownership is not valid.

[NOVI LIST] Is this position shared by your party?

[Mestrovic] Absolutely. Not only that, unless the government does something about this problem, the caucus of the HNS [Croatian People's Party], and perhaps the caucuses of other opposition parties, will put the question in the parliament of the responsibility of the minister for transportation, maritime affairs, and communications, who obviously does not want to enforce the

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laws of the state. In addition, this problem is also before the Constitutional Court, and I hope that that court will render the right opinion.

Lenac Is Only One of Many Illegally Privatized Firms

[NOVI LIST] Might the fund nevertheless "turn over the record"?

[Mestrovic] Because members of the HDZ constitute a majority on the fund's board of directors, it is clear that they will not change anything without approval from the top leadership of the incumbent party. But I am convinced that a majority of members of the HDZ think like Ivan Milas, for example, and will defend honoring the Maritime Code, regardless of how painful that might be.

[NOVI LIST] Nevertheless, there is another solution to this problem: a new amendment of the code! Is that realistic?

[Mestrovic] I have heard of such initiatives, and individuals have even said to me in jest—we will amend the Maritime Code. But I think that that initiative goes against the attitude that prevails at the moment in the Croatian Parliament. Regardless of the pressures—because of the future and because of our children—we have no right to sell off our coast!

[NOVI LIST] Is there nevertheless truth in the cloakroom gossip that you personally are bothered most by the Viktor Lenac Shipyard and that you have inserted a certain dose of personal interest in this entire campaign over maritime resources?

[Mestrovic] No, that is not so. Lenac is only one of a great number of firms which have been unlawfully privatized. What stands behind all this is my civil obligation, but also my obligation as a member of the board of directors of the fund and as a parliamentary deputy, to protect the general national interest. I, of course, want to justify the confidence of the people who elected me to the parliament, especially because I have a moral reputation that goes back to the days when I was a university student, in '71. I am proud to stand up straight. Incidentally, if only Lenac were involved, then it would be easy to solve the problem.

Trade Union Not Supporting Stabilization Program

95BA0222A Rijeka NOVI LIST in Serbo-Croatian 4 Apr 95 p 7

[Article by A. Erceg: "The SSSH Is No Longer Supporting the Valentic Government"]

[FBIS Translated Text] Zagreb—"In a meeting with Prime Minister Nikica Valentic held on 22 March, representatives of the Croatian Federation of Independent Trade Unions [SSSH] were unwilling to take a position on the measures set forth in the second part of the stabilization program, because we did not want our words to be interpreted as support for the government or, on the other hand, to be reproached for blanket criticism. We have carefully studied the proposed conception which we heard from Valentic, and I can say today that the SSSH no longer supports the government or implementation of the second phase of its stabilization program," said Dragutin Lesar at yesterday's press conference organized precisely on the second anniversary of the Valentic government.

Valentic's conception of the second phase of stabilization is unacceptable to the trade unions mostly because in their assessment it comes down to closing enterprises and discharging workers, so that that program, in Lesar's opinion, might be called a program of restriction rather than a program for restructuring. As in all countries undergoing transition, so two new classes, losers and winners, are arising in Croatia, the SSSH leader said, adding that the government does not care who they are or how many people are in one and how many in the other. In his assessment, the stabilization program is not complete, nor does it guarantee the necessary and desirable level of social justice, which only proves that the HDZ [Croatian Democratic Union] does not favor a social state and a state of social justice. At the same time, this program does not even guarantee achievement of the goals that are set.

What fault does the trade union find with the Valentic government's program? First of all, the absence of measures to stimulate self-employment and new employment through mobility of manpower on the labor market or measures to reduce the size of the gray economy. Lesar presented an estimate that about 200,000 people are already working illegally. Before asking where they are, Lesar went on, let the state send out its bureaucrats to construction projects which it itself is financing and let it check how many workers there are not reported. In addition, let them ask why 94,000 trained young people have already left Croatia. Going further, the trade union is demanding that ways be found of reducing the outflow of capital from the country both through day trips for shopping and also a permanent outflow through savings in foreign banks. The government's point of departure here must be the fact that the purchasing power of our workers abroad is as much as 40 percent higher.

The economic miracle, Lesar said, is not possible without a program for accelerated privatization, especially privatization of parts of state enterprises or without combating monopolies on the market. Finally, it is also demanding establishment of institutions on the labor mar-

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ket that would provide training and retraining for employment, improvement of qualifications, and encouragement of local initiatives for intermediation in hiring. Aside from demanding that the government program be supplemented as described, the trade unions are also demanding that the public be informed about all arrangements which the government has been concluding with international financial institutions. In other countries undergoing transition such agreements can be purchased in bookstores, Lesar said, while in our country they are considered the greatest state secret. Is the state concealing them because the reports of foreign experts on our economic situation are not as the government has been representing them? Lesar asked.

After expressing the assessment that the government headed by Valentic lacks both the responsibility and the desire for social dialogue, Lesar concluded that it ultimately operates on the principle of "take it or leave it," imposing the impression of indispensability, which this time the trade unions refuse to support. Although, judging by the entirety of his statement, one might expect him to demand Valentic's resignation, Lesar nevertheless refrained from doing so yesterday and thus left quite a bit unsaid.

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Gligorov Reviews Meetings at V-E Ceremonies

AU1105134995 Skopje VECER in Macedonian 11 May 95 p 7

[Article by "Gj.R.": "Every Moment Was Used for Talks"]

[FBIS Translated Text] After his visit to France, Britain, and Russia, where he attended the commemorations of the 50 anniversary of the victory over fascism, Macedonia's [The Former Yugoslav Republic of Macedonia—FYROM] President Kiro Gligorov returned to Skopje yesterday. He was met at Skopje Airport by Assembly Chairman Stojan Andov, Prime Minister Branko Crvenkovski, Foreign Minister Stevo Crvenkovski, and the ambassadors to Macedonia of Russia, France, and Britain.

Just after his arrival, President Gligorov gave a statement to the journalists in which he reviewed the visits and meetings he had.

"Macedonia took its place among the states that participated in World War II and contributed to the defeat of the biggest evil to mankind. At the same time it was a good opportunity for meetings and talks, and these were organized nearly every half-hour. Lunch, dinner, and the parades were used for talks as well. All the talks, and not only mine, as I was informed, were dedicated to stopping the war as soon as possible.

The greatest interest shown by the interlocutors regarding Macedonia was related to our relations with Greece, with the wish that direct negotiations be started as soon as possible. In all the talks I showed our readiness and good will for doing it on an equal footing, because it is in our interest to reach an agreement as soon as possible. I had to indicate that we cannot come to an agreement as long as there is the embargo, and that from time to time there are additional demands that do not contribute to reaching an agreement," President Gligorov said.

Asked about the talks he had with UN Secretary General Butrus Butrus-Ghali and Russian President Boris Yeltsin, President Gligorov said that the meeting with Yeltsin was cordial and friendly, and that a mutual desire to promote relations and see the early appointment of an ambassador to our country was expressed.

"I met Butrus-Ghali twice, but we did not have any special discussions. We only expressed the common wish to do our best to start successful negotiations between ourselves and Greece within the frameworks of the United Nations."

Concerning the meeting with U.S. Vice President Al Gore in London, President Gligorov said that they had discussed the same problems and that they had expressed concern about the possible spreading of the war, particularly to the south.

TV Closure 'Yet Another Attack' on Albanians

AU1105204595 Pristina KOSOVA DAILY REPORT in English 11 May 95 No 612

[FBIS Transcribed Text] After operating successfully for a year, the Independent Radio Television Broadcasting in Albanian ERA, covering Skopje and the surrounding region, was closed down a few days ago by the FYROM [The Former Yugoslav Republic of Macedonia] Ministry for Communications and Liaisons. The verdict on the closure of the RTV ERA was sent to the RTV's offices by two FYROM administrators and four policemen. The FYROM Parliament has not so far adopted legislation to govern operation of independent TV broadcasting centers in the republic. None of the 13 private Macedonian TV centers in Skopje has a permit to operate. These centers, however, have not been targeted by the FYROM authorities. It has been reported that a decision to close down broadcasting was issued to a TV in Roma language, BTR. The FYROM authorities allowed a short period of time of operation for this Roma TV center till Muslim feast of Bayram passed, whereas the only Albanian TV broadcasting center was ordered to cease broadcasting immediately.

The closure of Albanian TV denotes the FYROM authorities' position towards the Albanian community living in the Former Yugoslav Republic of Macedonia. Following the conviction of Albanian political activists in staged trials (allegedly having been involved in arms dealings), the assault on the Albanian-medium University of Tetovo and the attending trial against Dr. Fadil Sulejmani and Milaim Fejziu, the closure of TV ERA is seen as yet another attack on the political and cultural affirmation of the Albanians in FYROM.

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Federal

Ukraine Wants Danube Blockade Lifted

LD1105214895 Belgrade TANJUG in English 2123 GMT 11 May 95

[FBIS Transcribed Text] Belgrade, May 11 (TANJUG)—An Ukrainian official said Thursday [11 May] Ukraine would support all actions for lifting or easing the sanctions against the Yugoslav Federation of Serbia and Montenegro.

Speaking at a meeting with executives of the Yugoslav river shipping company JRB, Ukrainian Transport Minister Olexander Artemenko [name and title as received] said that the sanctions had virtually stopped all river shipping on the Danube.

The question of the Danubian blockade must be urgently resolved, he said and added that coordinated action was needed in this regard because the blockade was equally detrimental to the Yugoslav and Ukrainian economies.

From 1989 to 1991, when the sanctions were introduced, Yugoslav-Ukrainian shipments on the Danube amounted to between 1.7 and 1.8 million tons, while at present they are virtually non-existent, said Artemenko.

The Yugoslav section of the Danube is closed to all international traffic except when shippers obtain a special permit from the U.N. sanctions' committee.

Chairman of the JRB executive board Dusan Strugar said that international traffic on the Danube was impossible unless the blockade was lifted and emphasized that it was seriously affecting all countries in the Danubian region.

Strugar also said that four Yugoslav vessels moored in Ukrainian ports because of the sanctions would soon be of no use to anyone because they were not allowed to return to their home ports for regular overhaul.

Kontic Receives Slovak Chamber of Commerce Group

LD1105130195 Belgrade TANJUG in English 1141 GMT 11 May 95

[FBIS Transcribed Text] Belgrade, May 11 (TANJUG)—Yugoslav Prime Minister Radoje Kontic received on Thursday [11 May] a delegation of the chamber of trade and industry of the Republic of Slovakia, headed by Peter Mihok.

The Federal Information Ministry announced that the cordial and friendly talks held on the occasion dealt with possibilities of developing and promoting Yugoslav-Slovak economic cooperation.

The two sides expressed readiness to intensify extensive economic cooperation, once sanctions are lifted.

It was agreed to immediately start preparations for a bilateral agreement and other documents for the development and promotion of economic cooperation between the Federal Republic of Yugoslavia and the Republic of Slovakia.

President of the Chamber of Commerce of Yugoslavia Mihailo Milojevic received on Wednesday the delegation of the chamber of commerce and industry of the Republic of Slovakia to examine with it possibilities for the promotion of economic cooperation.

Serbia

Poll: General Public Opposes War With Croatia

AU1205102195

[FBIS Editorial Report] Belgrade TELEGRAF in Serbo-Croatian on 10 May on pages 10 and 11 carries a 400-word report by a team of its journalists on the results of an opinion poll on Serb-Croat relations in the wake of Croatia's military operation in Western Slavonia. It is entitled "Krajina Will Lose Its Independence, Yugoslavia Should Not Go to War With Croatia, and Zagreb Should Not Have Been Shelled."

According to the report, the poll was carried out on 4, 5, and 6 May and "involves 200 randomly selected adult telephone subscribers, mainly inhabitants of urban areas of Serbia, excluding Kosovo." The report also states that more men than women took part in the poll—55.7 percent to 44.3 percent. The greatest percentage of participants have secondary education—52.3 percent, while there was disproportionately a small percentage of those with lower education—17.7 percent. National minorities were represented by 5.7 percent of the total number who took part in the poll.

The results are expressed in percentages and presented in six charts, as follows:

1. "Did the Yugoslav political and military leadership react adequately on the occasion of the attack on the republic of Serb Krajina?" (figures as published)

Yes	38.7
No	23.3
No, we should have severed all relations with Croatia	8.0
No, we should have intervened militarily	3.7
We should not have reacted	6.3

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1. "Did the Yugoslav political and military leadership react adequately on the occasion of the attack on the republic of Serb Krajina?" (figures as published)	
Other answers	4.0
Do not know	18.3

2. "Would you take part in a possible conflict?"	
No	48.3
Yes	27.3
Yes, if my home were at stake	12.7
Do not know	11.7

3. "Will the war between the republic of Serb Krajina and Croatia resume?"	
Yes	62.7
No	22.0
Do not know	15.3

4. "Will the republic of Serb Krajina retain its independence?"	
Yes	38.7
No, it will be peacefully reintegrated	20.0
No, it will lose it through war	23.0
Do not know	18.3

5. "Do you agree with the shelling of Zagreb as a means of retaliation for the attacks on Serb civilians?"	
No	49.7
Yes, but not of civilian targets	13.3
Yes	25.0
Do not know	12.0

6. "Does the political leadership of the RSK [republic of Serb Krajina] bear partial responsibility for the conflicts in Western Slavonia?"	
No	41.0
Yes	22.7
Partly	22.7

6. "Does the political leadership of the RSK [republic of Serb Krajina] bear partial responsibility for the conflicts in Western Slavonia?"	
Other answers	3.3
Do not know	10.3

Seselj Wants Mikelic Tried for 'High Treason'

AU1205115995 Belgrade NASA BORBA in Serbo-Croatian 11 May 95 p 2

[Article by "M.M.": "Seselj: Arrest Mikelic"]

[FBIS Translated Text] Belgrade—"The Serbian Radical Party [SRS] is demanding that the leadership of the republic of Serbian Krajina [Serb-held parts of Croatia] prevents any form of betrayal in its ranks, and primarily that it dismisses, arrests, and puts on trial for high treason Borislav Mikelic, Krajina's current prime minister," SRS chairman Vojislav Seselj said at a news conference yesterday.

Responding to the question as to what evidence he had of Mikelic's treason, Seselj said: "The evidence is convincing and strong, and it will be presented at the trial." The leader of the Radicals said that one of Mikelic's errors was to have continued to negotiate with the Croatian authorities even after the ban by Milan Martic, president of the republic of Serbian Krajina.

Speaking of the series of the SRS rallies in Montenegro, Seselj stressed that they were well attended despite the fact that the Montenegrin police was constantly trying to intimidate the local population against joining the rallies.

The radicals yesterday announced their intention to continue their rallies in Serbia, which—as they said—were "to lead up to the great rally in Belgrade," planned for mid-June. The Radicals would in the meantime consult with the Democratic Party of Serbia, and the Democratic Party, with the view of possible organizing the rally together.

Vojislav Seselj and his closest associates are today leaving on a four-day tour of the Srpska republic, during which they will visit the fronts and have talks with the Srpska republic leadership in Pale.

Kosovo

PLK Leader Detained for Backing Rugova Policy

AU1105155495 Pristina KOSOVA DAILY REPORT in English 10 May 95

[FBIS Transcribed Text] The chairman of the Liberal Party of Kosova (PLK), Gjergj Dedaj, was held for

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two hours today in the Serbian security offices in Prishtina [Pristina]. Mr. Dedaj was questioned by a Serb security officer in connection with his party's activities, focussing on his contacts with foreign officials. PLK leader said the subject of the so-called "informative conversation" was his participation at a rally of Albanians in Bonn on 25 March 1995, his meeting with former German Foreign Minister Genscher, as well as contacts of PLK with liberal parties in Europe.

PLK leader told KIC [Kosova Information Commission] he was accused by the Serb security officer of being extremist in his stance concerning the settlement of the Kosova issue. He said he was also accused of being supportive of the policy advocated by Dr. Ibrahim Rugova, president of the Republic of Kosova. "I told the Serb security officer that my position is not an extreme one: I support the policy of President Rugova, namely the resolution of the Kosova issue based on the right to self-determination and the expressed will of the people of Kosova," Gjergj Dedaj said, adding that he would persist in supporting the independence of Kosova and the non-violent policy pursued to that end.

Mr. Dedaj said he emphasized the policy of President Rugova is supported by "all the international circles." Chairman of the PLK was told at the end of the "informative conversation" at the Serb security offices not to leave Kosova for a certain period of time. Two days ago, in a private printing house in Prishtina, the Serbian police confiscated printed material for the PLK "Yearbook," Mr. Gjergj Dedaj told KIC.

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